

	Internal Financial Control Policy <i>Policy No. FINPOL 18</i>	Version No:	3
		Responsible Officer/s:	Team Leader – Finance & Customer Service
		Classification:	Council
		Issued:	20 February 2012
		Next Review:	November 2025

1. Introduction

Internal control is part of Council's corporate governance framework and covers areas such as strategic management, business development, project management, finance, etc. It comprises procedures to mitigate risks and provide reasonable assurance that operations are efficient and effective, assets are safeguarded, legislation and council policies/rulings are complied with and financial reporting is accurate and reliable.

This Policy focuses on the financial component of internal controls to ensure Council resources are used prudently and in an efficient, effective and economical manner. Examples of the types of activities addressed are accounts payable and receivable, payroll, rates, budgeting, fixed assets, management reporting, banking and contracting. Financial internal controls are critical to effective risk management of a Council's operations and promote the achievement of its goals and objectives.

Council is committed to maintaining an effective Internal Control environment.

2. Policy Objectives

Council's objectives of this Policy are:

- a) Risks relating to the stewardship of public resources are adequately managed through effective internal controls.
- b) A framework for an effective internal control system which conveys to managers that they are responsible for ensuring that internal controls are established, documented, maintained and adhered to across the Council and to all employees that they are responsible for adhering to those internal controls.
- c) To ensure the propriety of transactions, information integrity, compliance with regulations and achievement of Council objectives through operational efficiency.

3. Scope

Section 125 of the *Local Government Act 1999 (the Act)* and the *Local Government (Financial Management) Regulations 2011 (the Regulations)* specifies the roles within Council in regards to internal control:

- Councils (implementing and maintaining);
- Audit Committees (independent review and advice to Council);
- External Auditors (considering the adequacy); and
- Chief Executive Officer and Mayor (certifying the adequacy)

4. Legislative, Corporate Policy and Standards Requirements

- *Local Government Act 1999* – Sections 125, 126, 129 & 130
- *Local Government (Accountability Framework) Amendment Act 2009* – Schedule 1 cl. 2.
- *Local Government (Financial Management) Regulations 2011* – r14 (e)

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- Related Council Policies and Corporate Documents.
- Australian/New Zealand Standard AS/NZS ISO 31000:2009

5. Definitions

Internal Control

“a process effected by an entity’s board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations; and
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations.”

6. Policy Statements

6.1. Policy Statement (Summary)

The District Council of Grant will support Internal Control measures through the implementation of the ‘Better Practice Model – Financial Internal Control for South Australian Councils’.

Council is committed to ensuring that as a minimum the “Core” Internal Control measures are implemented and are adequate and efficient in reducing risk, misuse or misappropriation of resources and that staff remain diligent in adhering to the controls when undertaking operational activities.

6.2. Risk Management Approach

Council will maintain an internal control framework, which will be based upon a pro-active risk management culture. The types of risks identified in the framework will be those which may prevent council from meeting its objectives or not maximising its opportunities. The first risk area covered by Council is financial management, for which internal controls will be identified, documented and managed. It is recognised that all risks cannot be eliminated, however the internal controls applied should reduce the likelihood of the risk occurring to within acceptable limits of risk.

Council will develop a culture that emphasises integrity, ethical values and competence

6.3. Roles and Responsibilities

The Audit Committee is responsible for keeping under review the effectiveness of the Council’s internal controls and risk management systems and review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management.

The Council is responsible for approval of the Internal Control Policy and the Chief Executive Officer for developing and maintaining an internal control framework, which ensures Council objectives are achieved efficiently and effectively. Updates on changes to the framework will be presented to the Audit Committee.

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The Chief Executive Officer and principal member of Council must also sign the financial statements in regard to internal controls as required by r14 of the Regulations.

The Senior Management Team must adopt a risk management approach to identifying and assessing risks and apply cost/benefit analysis in the development of internal controls. Council employees must conduct their duties in accordance with internal control policies, procedures and practices of Council.

6.4. Elements of an Internal Control Framework

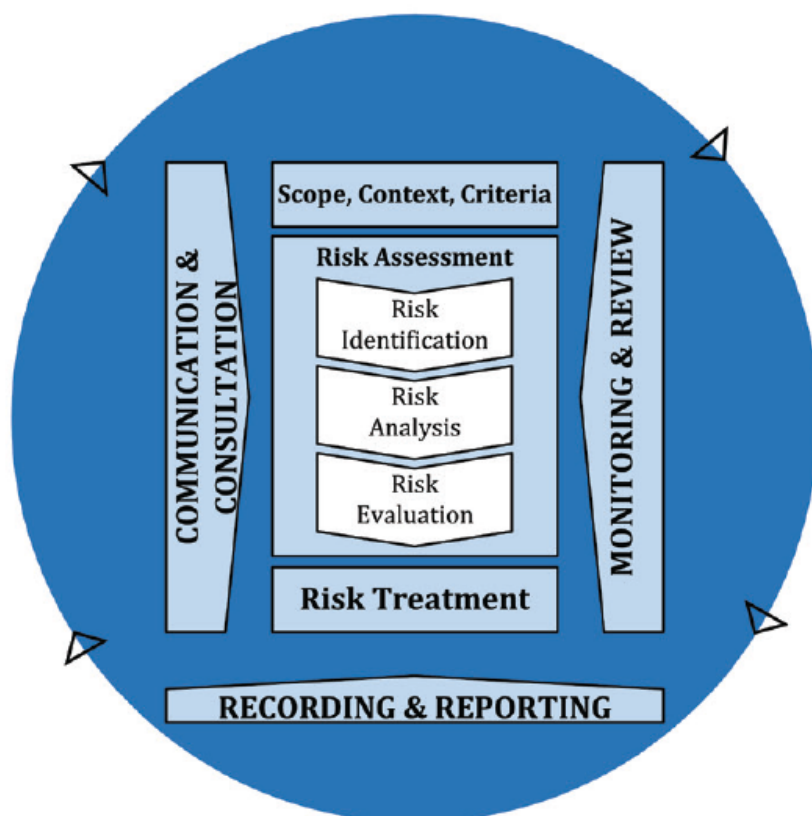
The essential elements of an effective internal control framework are:

- Structure and culture of Council;
- Delegations of Authority;
- Policies and procedures;
- Trained and properly qualified staff;
- Information Technology controls;
- Review process e.g. internal audit;
- Liaison with auditors and legal advisors;
- Senior Management compliance assurance;
- Risk identification and assessment.

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6.5. The Risk Management Process

The process followed by Council in developing the framework appears below in diagrammatic form extracted from Australian/New Zealand Standard AS/NZS ISO 31000:2018



Scope, Context, Criteria – Effective risk management requires a thorough understanding of the scope, context and criteria of Council to assist in establishing the assessment criteria for risk management.

Risk Identification – Identify the risks most likely to impact on the achievement of Council's objectives.

Risk Analysis – Assess the effectiveness of risks in terms of likelihood and consequence to identify the current risk level.

Risk Evaluation – Determine whether the risks are acceptable or unacceptable and document findings.

Risk Treatment – Treat risks by one of the following methods - discontinuing activity that generates it, reducing likelihood of occurrence, reducing consequence of occurrence, transfer the risk or retain the risk.

Consultation & Communication – These are important elements to ensure that all stakeholders understand why actions are required. These stakeholders include all staff and elected members.

Monitoring & Review – Responsible officers must be identified for each internal control and provide feedback to managers on progress with controls. The Managers monitor the effectiveness of risk treatments and report progress to the Senior Management Team and the Audit Committee at regular intervals.

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7. Internal Control Framework

Council has identified 6 main Risk Categories, under which the various business activities have key risks. Separate internal control procedures have been developed and will be maintained for each key risk area.

Risk Category	Business Activity
Strategic Financial Planning	Budgets
	General Ledger
	Statutory Reporting
	Management Reporting
Assets	Cash Floats and Petty Cash
	Banking
	Investments
	Debtors
	Inventory
	Prepayments
	Fixed Assets
	Project Costing
	Loans/Grants to Clubs/Community Groups
Liabilities	Accounts Payable
	Accrued Expenses
	Borrowings
	Employee Provisions
	Taxation
Revenue	Rates/Rate Rebates
	Grants
	User Pay Income – Fee for Services
	Investment/Interest Income
	Receipting
	Other Revenue
Expenses	Purchasing & Procurement
	Payroll
	Elected Members' Expenses
	Credit Cards
	Employee Reimbursements
	Other Expenses
External Services	Contracting

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8. Monitoring of Controls

The review and monitoring of internal controls can occur at many levels ranging from management to senior management to the Audit Committee and to Council. The monitoring role may also be undertaken by those external to Council. Regular activities that perform this monitoring role include:

- Audit Committee's internal audit plan
- Audit Committee's review of Council's Strategic Management Plans
- Budget reviews
- Regular review of the Risk Register
- Strategic Plan achievements reviewed regularly
- Development of an Internal Audit Program

9. Review of Policy and Database of Internal Controls

This Policy shall be reviewed by the District Council of Grant at a minimum, once within every four (4) year Council term (or on significant change to legislation or other matters which could affect this policy). The database of internal financial controls will be reviewed at least every twelve months to ensure all controls are current and appropriate and the Senior Management Team and the Audit Committee will be informed of the outcome of each review and updated regularly on progress with action plans identified during the reviews.

10. Support with Development of a Risk Management System

To assist in the development of a risk management system the Local Government Association website should be reviewed to identify the current recommended risk management database of internal controls and supporting documentation.

11. Availability of Policy

This Policy will be available for inspection at Council during ordinary business hours and via the Council's website www.dccgrant.sa.gov.au. Copies will also be provided to the public upon request, and in accordance with the Council's schedule of Fees and Charges.

Action	Date	Minute Reference
Adopted by Council	20 February 2012	12036.2.2
Reviewed	1 February 2016	16007.1
Amended	3 April 2017	17046.1.2
Amended	21 October 2019	19144.4.4
Minor formatting amendments	4 May 2020	Governance Officer