



Internal Financial Controls Policy

Policy Type	Administrative/Financial Policy		
Responsible Department	Office of Chief Executive Officer		
Responsible Officer	Deputy Chief Executive Officer		
Related policies/documents	Local Government Act 1999 Local Government (Financial Management) Regulations 2011 Better Practice Model – Internal Financial Controls Risk Management Policy Risk Management Framework Risk Register Fraud Corruption Misconduct Maladministration Prevention Policy Procurement Policy Prudential Management Policy		
Date adopted	21 March 2023	Minute Number	2023.44
Version	4		
Last reviewed	19 February 2019		
Next Review date	March 2027		

Introduction

Internal controls is part of Council's corporate governance framework and covers areas such as strategic management, business development, project management and finance. 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.

Under Section 125 of the *Local Government Act 1999* Council is required to ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to:

- assist in carrying out its activities in an efficient and orderly manner
- ensure adherence to management policies
- safeguard Council's assets and resources, and
- secure (as far as possible) the accuracy and reliability of Council records.

The external auditor places a significant degree of reliance on internal controls when determining whether the accounts of the Council present a fair and true view of the transactions of the business for the relevant time frame. Section 129 of the *Local Government Act 1999* requires that the external auditor is required to provide an audit opinion as to whether the controls used by Council are sufficient to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with the law.



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As a first step towards developing a complete risk management and corporate governance framework the financial component of internal controls will be addressed and these are required 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, payroll, budgeting, 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.

1. Objectives

Council's objectives of this Policy are:

- Risks relating to the stewardship of public resources are adequately managed through effective internal controls;
- A framework for an effective internal control system which conveys to those 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;
- To ensure the propriety of transactions, information integrity, compliance with regulations and achievement of Council objectives through operational efficiency.

2. Policy Statements

2.1 Risk Management Approach

Council will maintain an internal control framework, which will be based upon a proactive risk management culture. The types of risks identified in the framework will be those which may prevent Council from meeting its objectives or not maximizing its opportunities. One area of risk covered by Council is financial management, for which internal controls will be identified, documented and managed. It is recognized 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.

2.2 Roles and Responsibilities

The Council is responsible for approval of the Internal Financial Controls 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 and Risk Committee.

The *Local Government Act 1999* provides, in Chapter 8 – Section 125 - that a Council must ensure that it has appropriate policies practices and procedures in place so that the functions and activities of the Council can be carried out efficiently and effectively, including safeguarding of the Council's assets and resources, the accuracy and reliability of Council records and adherence to management policies.



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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 the Local Government (Financial Management) Regulations 2011 r14.

The *Local Government Act 1999* provides, in Chapter 7 – Section 99 - that the Chief Executive Officer is responsible for:

- the provision of information to Council to enable the Council to assess performance against strategic management plans;
- ensuring that the assets and resources of the Council are properly managed and maintained; and;
- ensuring that all necessary records are kept.

The Council will 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.

2.3 Elements of an Internal Control Framework

The essential elements of an effective internal control framework are:

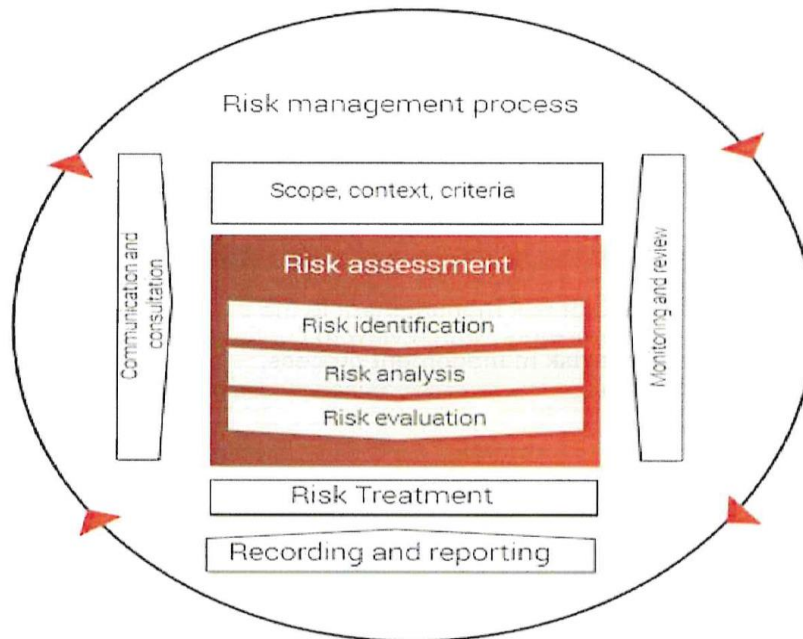
- Structure and culture of Council;
- Delegations of Authority;
- Policies and procedures;
- Trained and properly qualified staff;
- Information Technology controls;
- Review process. E.g. internal audit;
- Liaison with auditors and legal advisors;
- Senior Management compliance assurance; and
- Risk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



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2.4 The Risk Management Process

The process followed by Council in developing the framework appears below as is shown in Council's Risk Management Framework document.



Review of Policy and Database of Internal Controls

This Policy may be amended at any time and should be reviewed at least every four years since its adoption or last amendment.

The database of internal financial controls will be reviewed at least annually to ensure all controls are current and appropriate and the Audit and Risk Committee will be informed of the outcome of each review and updated regularly on progress with action plans identified during the reviews.

Availability of Policy

This Policy will be available for inspection at the Council office listed below during ordinary business hours and available to download, free of charge, from Council's internet site: www.elliston.sa.gov.au

Customer Service Centre
21 Beach Terrace Elliston

Phone: 8687 9177

Copies will be provided to interested parties upon request subject to Council's Fees and Charges Schedule. Email dce@elliston.sa.gov.au



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Version Control

Version no.	Date adopted by Council	Synergy Record	Amendments Made	Prepared by:
4		9.63.1/2 NGR234445	References to the LG Act added The risk management process updated Fax number deleted Version Control added	Senior Finance Officer / Deputy CEO