



Internal Control Policy

Policy Reference Number	21 CP
Responsible Department	Corporate and Community Services
Related Policies	Risk Management
Related Procedures	Internal Control
Date of Initial Adoption	11 July 2006
Last Reviewed by Council	15 March 2011

1. Purpose

Consistent with the objectives of the Local Government Act 1999, Council has a responsibility to ensure that its activities are conducted in an efficient and risk effective manner that is compliant with its policies and procedures.

This Policy describes the purpose and major factors to be considered in the development of an effective internal control framework. It provides a framework to assist in the development of policies, practices and procedures to collectively ensure that the financial and non-financial activities of Council are conducted in a proper manner.

Deleted: the

2. Introduction

Internal control is a key factor in ensuring that the Council is effectively and efficiently managed and that its resources are not misused or misappropriated. It is integral to the effective risk management of Council activities and to ensure there are appropriate policies and procedures that promote the achievement of Council's goals and objectives.

Internal control is not limited to financial matters. An effective internal control environment will provide the means by which Council can successfully address and mitigate many risks. The internal control system should be defined in respect to the financial, information and technological, human resource, and political and legislative activities of Council.

In establishing and assessing internal control practices it is necessary to recognise that in practical terms a certain level of risk will exist. The purpose of internal control is to provide assurance that the internal risks faced by Council are minimised or contained to acceptable levels.

3. Power to Make the Policy

Council is empowered to make this Policy pursuant to Section 125 of the Local Government Act 1999 (the Act) and Regulation 19 of the Local Government (Financial Management) Regulations 2011, (the Regulations).

Deleted: 4

Deleted: 1999

4. Strategic Plan Link

This Policy has the following link to Council's Strategic Plan 2010-2020:

Goal 2 - Leadership

A Council providing strong leadership and excellent service delivery.

5. Principles

A comprehensive and appropriate system of internal control will include policies, practices and procedures that provide a framework that ensures:

- Strategic Plan objectives are monitored and reported in an efficient and orderly manner
- Reporting information is accurate and reliable to facilitate sound decision making
- Policies and procedures are followed
- Compliance with the relevant legislation and regulations applicable to Local Government
- Assets are secured and protected from unauthorised use
- Records are complete, accurate, secure and reliable
- Risks are identified, assessed and mitigated where possible.

Controls can be divided into 3 categories:

- Preventative – processes put in place to avoid undesirable events from occurring.
- Detective – processes put in place to detect and subsequently correct undesirable events that have already occurred.
- Directive – processes put in place to encourage a desirable event to occur.

An internal control framework should be based on a pro-active risk management approach that includes regular review and identification of the risks that exist within Council's activities. Council maintains an effective Risk Management Framework with internal controls included as an integral part of that framework. An appropriate internal control measure is applied to each key risk activity in order to reduce the inherent risk of that activity to an acceptable level.

6. Definitions

Internal Control Can be broadly defined as a process supported by the Organisation's policies, procedures and practices which collectively provide a reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability and accuracy of financial data
- Compliance with policies, procedures, legislation and regulations

Deleted: 5

Deleted: 1

Deleted: 5

Deleted: Governance and Organisation

Formatted: Bullets and Numbering

Deleted: clear directions in partnership with the community and its stakeholders and supported by good governance and management practices and continuous improvement

It recognises that a 'system' of internal control extends far beyond those matters which relate solely to the financial matters of the organisation.

Management Includes the Chief Executive Officer, General Managers, Managers, and Co-ordinators.

Employee Includes any person performing work on behalf of Council, either paid or unpaid, including [Management](#), and staff employed on a full time, part time, casual or contract basis, work experience students, agents, consultants and contractors employed by Council. It includes volunteers [and members](#) on Council's Advisory and Management Committees but excludes all other volunteers.

Deleted: the Chief Executive Officer, Managers

7. Policy

Key Focus Areas of an Internal Control Environment

An effective internal control environment focuses on the following key areas to provide an adequate level of assurance over Council's activities:

Organisational Culture

It is the responsibility of each employee to comply with the Internal Control Policy, practices and procedures.

Elected Members and staff will value and be aware of the importance of internal control practices and organisational structure through:

- The existence and compliance with Codes of Conduct and the Whistleblowers Policy
- Adherence to the Values documented in Council's Strategic Plan
- Staff having the appropriate delegations and sub delegations
- Staff being appropriately trained to effectively perform their roles
- Defined use of information technology via agreed policy
- Best practice Human Resource management procedures and practices.

Control Activities

Policies and procedures that address business risks and provide detailed guidelines for carrying out activities include:

- Document controls
- Reconciliations and verifications
- Physical asset controls and regular revaluation
- Financial accounting procedures including segregation of duties
- Information technology controls
- Budgeting and reporting procedures

Deleted: ¶ Administration . Means the Chief Executive Officer, Managers and staff that are responsible for the ongoing management of day-to-day operations and the administration of Council's affairs.¶

- Record and data security
- Risk assessments

Monitoring Activities

Management systems and internal activities need to be monitored to assess the quality of their performance over time. This will include:

- Audit and Governance Advisory Committee performing a review and monitoring role
- An internal audit program that regularly reviews and monitors Council's activities
- A Risk Register that is monitored with risks having a rating of Catastrophic or Major being reviewed on a regular basis to ensure that relevant treatment plans are implemented and work effectively
- Reviewing the adequacy and implementation of Council's Strategic Management Plans, including the Long Term Financial Plan, and Annual Business Plan and Budget
- Regular monitoring of the Strategic Plan objectives and activities to ensure desired outcomes are being achieved
- Reviewing documents that are provided to the community, for accuracy and completeness, including Council policies, budget reviews, Annual Financial Statements and the Annual Report
- Risk Management reviews undertaken annually by the Local Government Association Mutual Liability Scheme.

Deleted ;

Deleted:

Deleted: Annual

Deleted ;

Deleted: quarterly

Outcomes of Operating in an Internal Control Environment

The following measures can be used as indicators to determine if the operating internal control environment is functioning successfully:

- Equitable, efficient and effective use of resources (people, equipment and funds)
- Minimised discrepancies, anomalies and irregularities, or prompt detection and correction if they occur
- Assets are used only for authorised purposes and are not subject to improper removal or sale
- All financial and non-financial data, records, databases and other material are complete and accurate, protected from loss or damage and capable of being readily accessed to continue the smooth operation of Council's business
- That the nature and impact of inherent risks have been identified, assessed and contained to an acceptable level.

Roles & Responsibilities

Council

The Elected Member body is responsible for the Internal Control Policy.

Audit and Governance Advisory Committee

The Audit and Governance and Advisory Committee provide independent review and advice to Council in relation to the [organisation's](#) approach to corporate governance matters including internal controls.

Deleted: administration

Chief Executive Officer

The Chief Executive Officer is accountable to Council for [the](#) development and implementation of appropriate systems to achieve accountability and integrity.

Management

Management are responsible for the development of adequate internal controls and their implementation, evaluation and revision on an ongoing basis in respect to all of the functions of Council under their control to ensure as far as practicable that:

- Financial records and other relevant databases completely and accurately reflect the actual operational activities and the timely preparation of reports
- Assets are safeguarded from unauthorised use or disposal
- Irregularities are prevented, or detected and corrected if they occur

Management is expected to promote a best practice approach in support of effective business practices and properly functioning controls.

Employees

Council employees are responsible for conducting their duties in accordance with internal control policies, procedures and practices of Council. They are also responsible for reporting to Management instances where they consider that internal control procedures are inadequate or are not being met.

8. Review & Evaluation

This Policy will be reviewed annually. The Chief Executive Officer will report to Council on the outcome of the review and make recommendations for amendment, alteration or a substitution of a new Policy if considered necessary.

Deleted: he effectiveness of t

9. Availability of the Policy

This Policy will be available for inspection at Council's principal office during ordinary business hours and on Council's website www.campbelltown.sa.gov.au. Copies will also be provided to interested members of the community upon request, and upon payment of a fee in accordance with Council's Schedule of Fees and Charges.