Internal Control Policy

Policy Reference Number	5977906
Responsible Department	Corporate Services
Related Policies	Risk Management Electronic Communications Policy
Related Procedures	Internal Control
Date of Initial Adoption	11 July 2006
Last Reviewed by Council	16 May 2023

1. Purpose

Consistent with the objectives and requirements of the Local Government Act 1999 and Local Government (Financial Management) Regulations 2011, 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.

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. These controls are 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 manage risks. The internal control system should be designed to take into account the financial, information, technological, human resource, political and legislative activities of Council.

In establishing and assessing internal control practices it is necessary to recognise that a certain level of risk will continue to exist. The purpose of internal control is to maintain the risks faced by Council at 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 4 of the Local Government (Financial Management) Regulations 2011 (the Regulations).

The document on Council's Records Management System is considered to be the current and controlled version. Before using a printed copy, verify that it is the current version.

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4. **Strategic Plan Link**

This Policy has the following link to Council's Strategic Plan 2024:

- Leading our People (Goal 5)

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

- Policies and procedures are designed to promote the achievement of objectives

- Policies and procedures are designed to promote compliance with the relevant legislation and regulations applicable to Local Government, including the Better Practice Model – Internal Financial Controls (Regulation 4(2) of the Regulations)

- Policies and procedures are followed

- Reporting information is accurate and reliable to facilitate sound decision making

- Assets are maintained, secured and protected from unauthorised use

- Records are complete, accurate, secure and reliable

- Risks are identified, assessed and managed.

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 proactive risk management that includes regular review and identification of the risks that exist within Council's activities. Council will maintain an effective Risk Management Framework with internal controls included as an integral part of that framework. Appropriate internal control measures are to be applied to each key risk activity in order to manage the risk of that activity to an acceptable level.

6. **Definitions**

Internal Control   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 information and financial data

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- Compliance with adopted policies, procedures, legislation and regulations

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 persons employed by the Council, volunteers, trainees, work experience placements, independent consultants and contractors and other authorised personnel offered access to the Council's resources.

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 Employees 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 Public Interest Disclosure Policy

- Adherence to the Values documented in Council's Strategic Plan

- Employees having the appropriate delegations and sub delegations

- Employees being appropriately trained to effectively perform their roles

- Defined use of information technology as detailed in the Internet, Email and Computer Use Policy

- Striving for 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:

- Steps to deliver required outcome

- 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

- 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:

- AGAC (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 consequence 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 AMP (Asset Management Plans), LTFP (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, Annual Business Plan and Budget, budget reviews, Annual Financial Statements and the Annual Report

- Risk Management reviews undertaken annually in conjunction with the Local Government Association Mutual Liability Scheme

- Reviewing, assessing and reporting on controls contained within the Better Practice Model – Internal Financial Controls.

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, with 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 and residual risks have been identified, assessed and contained to an acceptable level.

To ensure that Council is complying with its legislative requirements, Management will ensure that the relevant controls contained within the Better Practice Model – Internal Financial Controls are reviewed, assessed and reported on a regular basis. This will assist in verifying that Council's internal financial controls are operating efficiently and as required throughout the financial year.

Roles & Responsibilities

Council

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

AGAC

The AGAC provide independent review and advice to Council in relation to the organisation's approach to corporate governance matters including internal controls.

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 documentation, 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 improper use or disposal

- Irregularities are prevented and corrected, where detected.

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 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.

Employees are also responsible for ensuring that their assessing and/or reviewing responsibilities are carried out in the systems used to monitor compliance with the Better Practice Model – Internal Financial Controls.

8. **Review & Evaluation**

Within six months of each new Council term Council will review this policy. Following this initial review this policy will be reviewed annually by staff with minor administrative adjustments being approved by the Chief Executive Officer.

9. **Availability of the Policy**

Copies of this Policy will be available at Council's principal office during ordinary business hours and at Council's website www.campbelltown.sa.gov.au.

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