Financial Internal Control Policy

First Approved	June 2012
Review Frequency	4 yearly or as required
Status	LGA Mandatory
Last Reviewed	16 March 2020 (Resolution Ref: ACM20521)
Next Review Due	March 2024
File Number	18.63.001 / PL202055
Responsible Division	Corporate
Related Documents	Financial Internal Control Procedure Procurement Policy & Procedure Risk Management Policy & Procedure LGA Better Practice Model – Internal Financial Controls for South Australian Councils Australian/New Zealand Standard AS/NZS ISO 31000:2009 (Risk Management) LGA Financial Sustainability Information Paper No. 21: Internal Financial Controls (2015) LGA Financial Sustainability Program - www.lga.sa.gov.au/FSP
Applicable Legislation	*Local Government Act 1999 - Sections 125, 126, 129 & 130* *Local Government (Financial Management) Regulations 2011 r14 (e)*

1. Introduction

1.1 Financial internal control is part of Council's corporate governance framework and covers areas such as strategic management, business development, project management, procurement, 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.

1.2 A complete risk management and corporate governance framework for the financial component of internal controls are addressed and are required to ensure Council resources are used prudently and in an efficient, effective, accountable and economical manner. Examples of the types of activities addressed are accounts payable, payroll, budgeting, management reporting, banking, purchasing 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 financial internal control environment.

2. Policy Objectives

2.1 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 financial internal control system which conveys to managers that they are responsible for ensuring that internal controls are established, documented, maintained, utilised and adhered to across the council, and to all employees that they are responsible for utilising and adhering to those internal controls.

- To ensure the propriety of transactions, information integrity, compliance with regulations and achievement of Council objectives through operational efficiency.

3. Roles and Responsibilities

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

3.2 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 all financial internal control policies procedures and practices of Council.

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

- Audit Committee - The Audit Committee provide independent review and advice to Council in relation to the administration's approach to corporate governance matters including internal controls.

- Internal Audit Group - The Internal Audit Group may investigate, evaluate and report on any aspect of the financial internal control system. They assist the Audit Committee and management at all levels by providing analyses, appraisals, recommendations and pertinent comments in respect of the activities reviewed.

- Chief Executive & Principal Member - The Chief Executive is accountable to Council for development and implementation of appropriate systems to achieve accountability and integrity. The Chief Executive and principal member of Council must also sign the financial statements in regard to internal controls as required by Local Government (Financial Management) Regulations 2011, r.14.

- Management - Management are responsible for the development of adequate financial 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:

  o All financial records and other relevant databases completely capture and accurately reflect the actual operational activities and the timely preparation of reports

  o Assets are safeguarded from unauthorised use or disposal

  o Irregularities are prevented, or detected and corrected if they occur

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

- Employees - Council employees are responsible for conducting their duties in accordance with all financial 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.

Employees will participate in the internal implementation, checking and investigating processes.

4. Elements of an Internal Control Framework

4.1 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 eg internal audit

- Liaison with auditors and legal advisors

- Senior Management compliance assurance

- Risk identification and assessment.

5. Risk Management Approach

5.1 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 maximising its opportunities. The first risk area covered by Council is financial management, for which internal controls will be identified, documented and managed.

5.2 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.

5.3 To assist in the ongoing improvement of a risk management system the Local Government Association's Better Practice Model – Internal Financial Controls for South Australian Councils should be reviewed from time to time, to identify the current recommended risk management database of internal controls and supporting documentation.

6. Review of Policy and Database of Internal Controls

6.1 Council's Financial Internal Control Policy will be reviewed on a four yearly basis. Self-assessments of the effectiveness of Council's Financial Internal Controls are undertaken biannually, with each control tested on either a 6, 12 or 18 month cycle.

6.2 This control assessment program was last reviewed and approved by Audit Committee in April 2018 to ensure Council's process was in line with the updated Better Practice Model - Internal Financial Controls for South Australian Councils.

6.3 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.

## 7.	Availability of Policy

This Policy will be available for on the Council's website www.alexandrina.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.