

POLICY	ROBY COUNCIL	Responsible Department	Executive
		Original Adoption Date	31.01.2011
		Current Adoption Date	27.07.2022
		Audit Committee Review Date	19.08.2022
		Date of Review	30.05.2025
FINANCIAL INTERNAL CONTROL POLICY			
Latest Review Changes	Minor formatting & editing, inclusion of relevant Acts & reference documents		
Previous Council Reviews	31.01.12, 30.05.13, 30.11.16, 29.11.18		
Previous Audit Committee Reviews	08.07.10, 30.05.13, 21.10.16, 09.11.18		

Applicable Legislation

Local Government Act 1999

Local Government (Financial Management) regulations 2011

Related Policies

Fraud and Corruption Policy

Related Procedures

Reference Documents

Better Practice Model—Internal Financial Controls

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1. INTRODUCTION

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.

The importance of Financial Internal Controls is emphasised by the requirement of Council's external auditors to express an opinion each year as to *"whether the controls audited under subsection (1)(b) are sufficient to provide reasonable assurance that the financial transactions of the council have been conducted properly and in accordance with law."* (Section 129(3)(b) LGA).

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

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

Council is responsible for approval of the Financial Internal Control Policy, and the Chief Executive is responsible for 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.

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 Chief Executive 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.
- **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:
 - i. All financial records and other relevant databases completely capture and accurately reflect the actual operational activities and the timely preparation of reports
 - ii. Assets are safeguarded from unauthorised use or disposal

- iii. Irregularities are prevented, or detected and corrected if they occur
 - iv. 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.

3.1. 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
- Liaison with auditors and legal advisors
- Senior Management compliance assurance
- Risk identification and assessment.

3.2. 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 maximising its opportunities.

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.

To assist in the ongoing improvement of a risk management system Council will review all the risks in the Local Government Association's [Better Practice Model – Internal Financial Controls](#) at least annually to ensure all controls are current and appropriate. The Senior Management Team and the Audit Committee will be informed of the outcome of each review.

4. REPORTING, REVIEW & EVALUATION

Every 12 (twelve) months a report shall be prepared for Council's Audit Committee. The report will outline the activities undertaken in the previous 12-month period in relation to the maintenance of financial internal controls and how the obligations under this policy have been met.

The effectiveness of this Policy will be reviewed and evaluated every 3 (three) years.

5. AVAILABILITY OF THE POLICY

The Policy is available for inspection (without charge) at Council's Principal Office at 6 Richardson Place Roxby Downs.