



POLICY DOCUMENT

7.63.5

Policy Name	INTERNAL CONTROL (FINANCIAL MANAGEMENT)
Policy No	7.63.5
Reviewed By	David Levey Manager Finance and Business
CEO Authorisation	Rob Donaldson CEO
Review Details	Date Adopted: 15 th May 2017 Date Reviewed: 1 st April 2017 Next Review Date: Every 2 years

1. PURPOSE

Consistent with the objectives and requirements of the Local Government Act 1999 (the act) and Local Government (Financial Managements) Regulations 2011 (the regulations), 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 to safeguard the Council's assets, and to secure (as far as possible) the accuracy and reliability of Council records.

2. PRINCIPLES

An internal financial control framework should be based on a pro-active risk management approach that includes:

- ensuring that information is accurate and reliable to facilitate sound decision making
- policies and procedures are followed
- assets are secured and protected from unauthorised use
- risk are identified, assessed and mitigated where possible
- regular review process of internal control measures applied
- measuring the effectiveness of controls to ensure that inherent risks are reduced to an acceptable level.
- transparency and accountability.

Internal financial control will not remove all risk but is a means of managing risk and reducing the likelihood and consequence of adverse events.

3. ROLES AND RESPONSIBILITIES

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

The Senior Management Team will adopt a risk management approach by identifying and assessing risks and applying cost/benefit analysis in the development of internal controls. Council employees will conduct their duties in accordance with all the financial internal control policies procedures and practices of Council.

Elected Members	Elected Members are responsible for adoption of the Internal Control (Financial Management) Policy
Financial Management Audit Committee (FMAC)	The FMAC will provide independent review and advice to Council in relation to the administration's approach to corporate governance matters including internal controls.
Chief Executive Officer (CEO)	The CEO is responsible for the development and implementation of appropriate systems to achieve accountability and integrity. The CEO is also responsible for ensuring that: <ul style="list-style-type: none"> adequate resources are identified and provided to enact this policy and supporting procedures effectively; and any significant changes to the operations and/or resourcing of Council are risk assessed and appropriate controls implemented where necessary
Senior Management	Senior Management Team members 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: <ul style="list-style-type: none"> All financial records and other relevant databases completely capture 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, accountability and properly functioning controls
Managers and Supervisors	Managers and Supervisors are accountable for: <ul style="list-style-type: none"> bringing this policy and supporting procedures to the attention of affected personnel and confirming through their supervisory activities that the policies and procedures are adhered to; and checking that employees have had appropriate training to undertake the activities identified within this policy and supporting procedures
Employees	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 internal implementation, checking and investigating processes.

4. **INTERNAL CONTROL FRAMEWORK**

Council will maintain internal control policies, procedures and processes for the risk categories and related business processes, based on the criteria in the Better Practice Model—Internal Financial Controls, pursuant to section 19(3) of the regulations.

Risk Category	Business Process
Strategic Financial Planning	<ul style="list-style-type: none"> • Budgets • General Ledger • Statutory Reporting • Management Reporting
Assets	<ul style="list-style-type: none"> • Cash Floats & Petty Cash • Banking • Investments • Debtors • Inventory • Prepayments • Fixed Assets • Project Costing • Loans/Grants to Clubs/Community Groups
Liabilities	<ul style="list-style-type: none"> • Accounts Payable • Accrued Expenses • Borrowings • Employee Provisions • Taxation
Revenue	<ul style="list-style-type: none"> • Rates/Rate Rebates • Grants • User Pay Income – Fee for Services • Investment / Interest Income • Receipting • Other Revenue
Expenses	<ul style="list-style-type: none"> • Purchasing & Procurement • Payroll • Elected Members' Expenses • Credit Cards • Employee Reimbursements • Other Expenses
External Services	<ul style="list-style-type: none"> • Contracting

4.1. **Elements of an Internal Control framework**

The essential elements of an effective internal control framework are:

Organisational Controls	Proper recruitment and training to ensure suitably qualified and skilled staff Delegations and Authority Policies and procedures Adherence to Council Values Review Processes
Accounting Controls	Segregation of financial responsibilities and duties where possible System of multiple authorisation on all financial activities

	Reconciliations and verifications Physical asset control and regular revaluations
Security of Data	Information technology controls Protection of data and confidential Information Document Controls Records Management

5. MONITORING AND REPORTING

In order to maintain confidence in the internal controls a full cyclical review of the internal financial controls will be undertaken annually. The outcomes of each review will be reported to the Financial Management Audit Committee. The following steps will be undertaken and managed through Council's ControlTrack program.

Risk Assessment	Council's financial risks are reviewed, and assessed to identify key risks threatening the achievement of Council's objectives and the acceptable level of risk for each risk category
Control Assessment	Each internal control is assigned to a relevant officer to conduct a "Control Assessment" which includes: <ul style="list-style-type: none"> • Examining the current procedures relating to the relevant Council business processes • Identifying existing internal financial controls • Assessing current controls for effectiveness • Identifying any new controls needed as well as existing controls requiring adjustment
Control Review	The manager responsible for the business activity will review and verify the control assessment process to ensure that the internal controls are achieved at an acceptable level of risk, and confirm if modification or further controls are required.
Process Improvement	On completion of the Control Assessment and Control Review processes, any identified action plans must be implemented and tested to ensure an acceptable level of risk mitigation is achieved.

6. POLICY OUTCOMES

The following measures can be used as indicators to determine if the internal financial controls are functioning successfully to meet the objectives of this policy:

- Equitable, efficient and effective use of resources (people, equipment and funds)
- Minimised discrepancies, anomalies and irregularities, and 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
- The nature and impact of inherent and residual risks have been identified, assessed and contained to an acceptable level.

7. RELEVANT DELEGATED POWERS AND DUTIES

Any actions or decisions made regarding this policy will be enacted upon as per Council's current Delegations Register.

8. REVIEW

This policy shall be reviewed by the City of Port Lincoln every two years, or on significant change to legislation or aspects included within this policy.

9. REFERENCES

Local Government Act 1999

Local Government (Financial Managements) Regulations 2011

Better Practice Model—Internal Financial Controls