# District Council of ROBE

## *Internal Financial Controls Policy*

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| **Policy Reference Number:** | 2.26 |
| **Classification:** | Legislative |
| **First Issued/Approved:** | 8 July 2014 (Res 14/2015) |
| **Review Frequency:** | After the general election – every 4 years |
| **Last Reviewed:** | 13 January 2015 (Res 269/2015) |
| **Next Review Date:** | February 2019 |
| **Responsible Officer:** | Chief Executive Officer |
| **Applicable Legislation:** | *Local Government Act 1999*<br>*Local Government (Financial Management) Regulations 2011* |
| **Relevant Policies:** | |
| **Related Procedures:** | |
| **Compliance Standard:** | Section 125 Local Government Act |

## 1. INTRODUCTION

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

As a first step towards developing a complete risk management and corporate governance framework the financial component of internal controls will be addressed and these are required to ensure council resources are used prudently and in an efficient, effective and economical manner. Examples of the types of activities addressed are accounts payable, payroll, budgeting, management reporting, banking 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 Internal Control environment.

## 2. POLICY OBJECTIVES

Council's objectives of this Policy are:
   a) Risks relating to the stewardship of public resources are adequately managed through effective internal controls.
   b) A framework for an effective internal control system which conveys to managers that they are responsible for ensuring that internal controls are established, documented, maintained and adhered to across the council and to all employees that they are responsible for adhering to those internal controls.
   c) To ensure the propriety of transactions, information integrity, compliance with regulations and achievement of Council objectives through operational efficiency.

### 3. LEGISLATIVE, CORPORATE POLICY AND STANDARDS REQUIREMENTS

*Local Government Act 1999* - Sections 125, 126, 129 & 130

*Local Government (Accountability Framework) Amendment Act 2009* –Schedule 1 cl. 2.

*Local Government (Financial Management) Regulations 2011* r14 (e)

Related Council Policies and Corporate Documents.

Australian/New Zealand Standard AS/NZS ISO 31000:2009

### 4. POLICY STATEMENTS

#### 4.1 Risk Management Approach

Council will maintain an internal control framework, which will be based upon a pro-active 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. 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

#### 4.2 Roles and Responsibilities

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

The Chief Executive Officer 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* r14.

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 internal control policies procedures and practices of Council.

#### 4.3 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 e.g. internal audit;
- Liaison with auditors and legal advisors;
- Senior Management compliance assurance;
- Risk identification and assessment.

### 4.4 The Risk Management Process

The process followed by Council in developing the framework appears below in diagrammatic form extracted from Australian/New Zealand Standard AS/NZS ISO 31000:2009

## The Risk Management Process
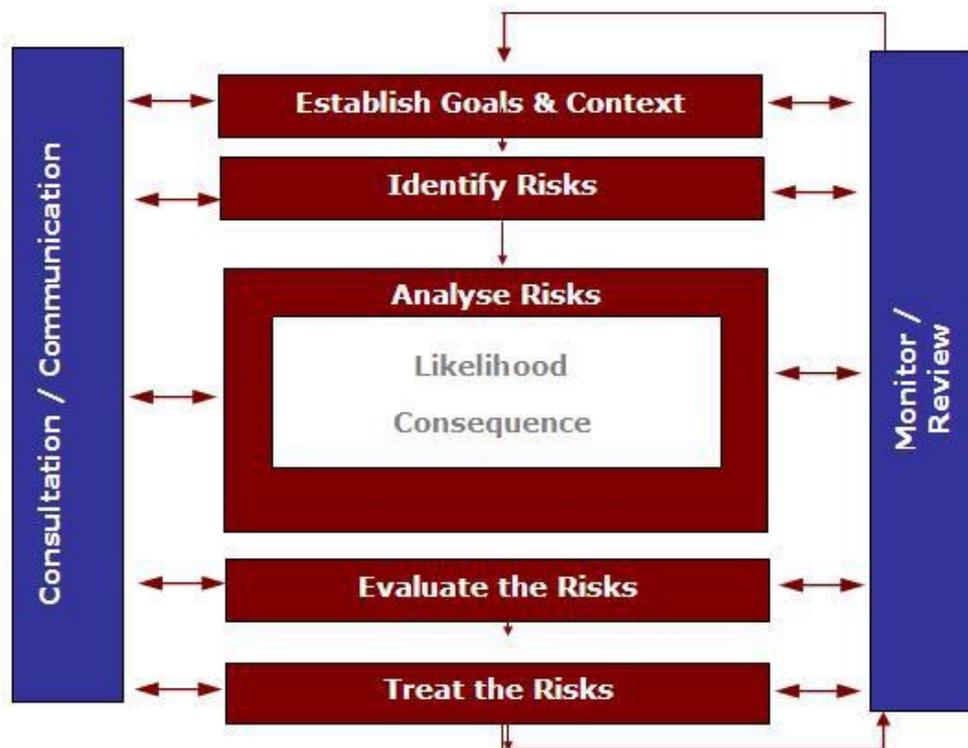


AS/NZS ISO 31000:2009

Establish Goals & Context – Effective risk management requires a thorough understanding of the goals and context of Council to assist in establishing the assessment criteria for risk management.

Identify Risks – Identify the risks most likely to impact on the achievement of Council's objectives.

Analyse Risks – Assess effectiveness of risks in terms of likelihood and consequence to identify the current risk level.

Evaluate Risks – Determine whether the risks are acceptable or unacceptable and document findings.

Treat Risks – Treat risks by one of the following methods - discontinuing activity that generates it, reducing likelihood of occurrence, reducing consequence of occurrence, transfer the risk or retain the risk.

Consultation/Communication – These are important elements to ensure that all stakeholders understand why actions are required. These stakeholders include all staff and elected members.

Monitor/Review – Responsible officers must be identified for each internal control and provide feedback to managers on progress with controls. The Managers monitor the

effectiveness of risk treatments and report progress to the Senior Management Team and the Audit Committee at regular intervals.

## 5. Review of Policy and Database of Internal Controls

Council's Internal Control Policy will be reviewed annually. The database of internal financial controls will be reviewed at least every twelve months to ensure all controls are current and appropriate and 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.

## 6. Support with Development of a Risk Management System

To assist in the development of a risk management system the Local Government Association website should be reviewed to identify the current recommended risk management database of internal controls and supporting documentation.

## 7. Availability of Policy

This Policy will be made available for inspection at Council offices and persons may obtain a copy of this Policy upon payment of a fee fixed by Council.

**FURTHER INFORMATION**
This policy will be available for inspection at the Council offices listed below during ordinary business hours and available to be downloaded, free of charge, from Council's internet site: www.robe.sa.gov.au

Royal Circus, Robe SA 5276

Copies will be provided to interested parties upon request. Email council@robe.sa.gov.au

Any grievances in relation to this policy or its application should be forwarded in writing addressed to the Chief Executive Officer of Council.

**POLICY REVIEW**
This policy may be amended at any time and must be reviewed at least twelve months since its adoption (or latest review or amendment).