



Internal Financial Control Policy

1. INTRODUCTION

Internal financial control is part of Council's corporate governance framework and covers such areas such as strategic management, business development, project management, finance and procurement. It comprises of procedures to mitigate risk 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, accounts receivable, property and rates, assets and contracting. Internal financial 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 financial 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 financial controls.
- b) A framework for an effective internal financial control system which conveys to managers that they are responsible for ensuring that internal financial controls are established, documented, maintained and adhered to across the council and to all employees that they are responsible for adhering to these internal financial controls.
- c) To ensure the propriety of transactions, information integrity, accuracy of financial reporting, compliance with regulations and the achievement of Councils 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 & 2

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

Related Council Policies and Corporate Documents

Australian/New Zealand Standard AS/NZS 31000:2018

Better Practice Model - Internal Financial Controls for South Australian Councils

4. POLICY STATEMENTS

4.1 Risk Management Approach

Council will maintain an internal financial 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 financial controls will be identified, documented and managed. It is recognised

that all risks cannot be eliminated, however the internal financial 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 financial Control Policy and the Chief Executive Officer for developing and maintaining an internal financial 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 financial controls as required by the 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 financial controls. Council employees must conduct their duties in accordance with internal financial control policies, procedures and practices of Council.

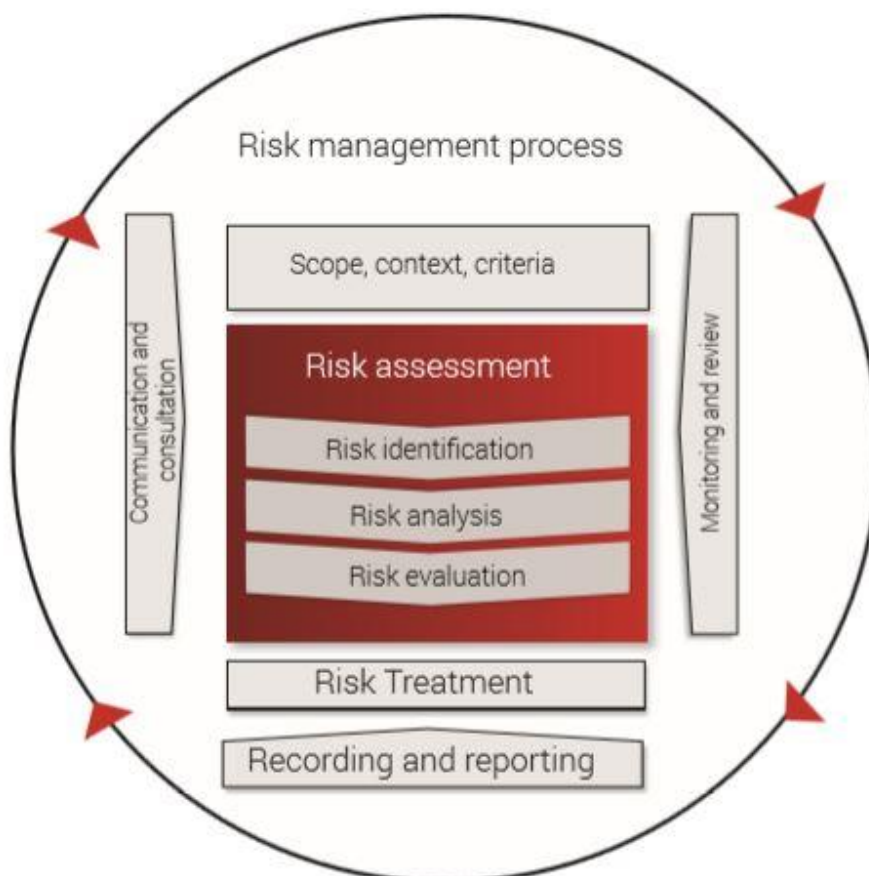
4.3 Elements of an Internal financial Control Framework

The essential elements of an effective internal financial 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 31000:2018.



- 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 Financial Control Policy will be reviewed every two years. 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 process with action plans identified during the reviews.

6. SUPPORT WITH DEVELOPMENT OF A RISK MANAGEMENT SYSTEM

To assist in the ongoing development of Council's risk management system, the Local Government Association website, in conjunction with communication with the South Australian Local Government Financial Management Group and the Office of State/Local Government Relations, should be reviewed to identify the current recommended risk management database of core and non-core internal financial controls and supporting documentation.

7. AVAILABILITY OF POLICY

This Policy is available for inspection at the Council's principal office during ordinary business hours and on the Council's website www.dckem.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.

8. DOCUMENT AND ADMINISTRATION CONTROL

COUNCIL POLICY	
Policy title:	Internal Financial Control Policy
Policy number:	406
Responsible officer:	Deputy CEO
Version:	V2.2
Committee review:	Audit & Risk Committee 19/05/2023
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Applicable legislation / related documents:	Local Government Act 1999 (Sec 125, 126, 129 & 130) Local Government (Accountability Framework) Amendment Act 2009 – Schedule 1 & 2 Local Government (Financial Management) Regulations 2011 R14(e)