



MOUNT BARKER
DISTRICT COUNCIL

TITLE: INTERNAL CONTROL POLICY

REFERENCE NUMBER:	DOC/20/27859
RESPONSIBLE OFFICER/ DEPARTMENT:	Corporate Services
APPLICABLE LEGISLATION:	<ul style="list-style-type: none">• Local Government Act 1999 Section 129• Local Government (Financial Management) Regulations 2011 Regulations 4 and 19(3)
MOUNT BARKER COMMUNITY PLAN 2020-2035:	Leadership and Good Governance LGG Strategy 1.5 Demonstrate accountability through clear, relevant and easily accessible policies, corporate reporting and legislative compliance.
RELATED POLICIES:	<ul style="list-style-type: none">• Risk Management Policy• Code of Conduct for Council Employees• Fraud, Corruption, Misconduct and Maladministration Prevention Policy
SUPPORTING PROCEDURES:	<ul style="list-style-type: none">• Risk Management Procedures• Better Practice Model – Financial Internal Control for South Australian Councils (SALGFMG)
PREVIOUS REVIEW DATES:	2 March 2015
ENDORSED BY COUNCIL:	18 January 2021
MINUTE RESOLUTION NUMBER:	OM20210118.06
NEXT REVIEW DATE:	18 January 2025

1. PURPOSE

The Local Government Act 1999 (“the Act”) requires Councils to maintain appropriate procedures of internal controls. This policy sets Council’s commitment to a strong internal controls environment.

2. SCOPE

This Policy is applicable to all Council Staff.

The purpose of internal control and this policy is to provide assurance that:

- The internal risks faced by Council are contained to acceptable levels;
- Council is effectively managed;
- Council’s resources are not misused or misappropriated;
- Council is managed efficiently and effectively, with appropriate policies and operating guidelines that promote the achievement of its goals and objectives; and
- Effective risk management is integrated into Council operations.

3. DEFINITIONS

3.1 Internal Control -Can be broadly defined as a process supported by the Organisation’s policies, procedures and practices which collectively provide a reasonable assurance the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations;
- Reliability and accuracy of financial data; and
- Compliance with policies, procedures, legislation and regulations.

3.2 Internal Control Framework - Refers to policies, practices and procedures of Council which are designed to provide assurance that the activities and functions of council are carried out in an effective and efficient manner, with records being maintained accurately and the assets of council being protected and secured.

4. POLICY STATEMENTS

4.1 This policy describes the purpose and major factors to be considered in the development of an effective internal control framework. It provides a framework to assist in the development of policies, practices and procedures to collectively ensure that the financial and non-financial activities of Council are conducted in a proper manner.

5. ROLES & RESPONSIBILITIES

5.1 Council:

Council is responsible for the Internal Control Policy of Council and for the adoption of this policy.

5.2 Chief Executive Officer:

The Chief Executive Officer is responsible for the development and implementation of the Internal Control Framework to ensure that the objectives of Council are achieved in an effective and efficient manner.

5.3 General Managers, Deputy Chief Executive Officer, Chief Financial Officer and Managers (Management):

Management are responsible for the development of adequate 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:

- **Reports** - Financial records and other relevant information databases completely 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; and
- **Legislative Compliance** - Is maintained.
- **Risk Approach** - Management when developing the framework is encouraged to adopt a risk management approach when identifying and assessing Councils risks and applying a cost/benefit analysis in the development of internal controls.

5.4 Employees:

Employees are responsible for:

- The day to day management of the Internal Control Framework in their respective work areas.
- Conducting their duties in accordance with Council policies, operating guidelines and practices of Council.
- Reporting to management instances where they consider that internal control procedures are inadequate or are not being met.
- Promoting a best practice approach in support of effective business practices and properly functioning controls.
- Conducting assessments and reviews of internal controls and entering the results of these into relevant internal control framework databases.

5.5 Audit and Risk Committee:

The Audit and Risk Committee is responsible for the review and provision of feedback on the Internal Control Framework on an annual basis.

In addition, if required, the Audit and Risk Committee should also raise concerns with Council staff and Council.

The Audit and Risk Committee is responsible for reviewing Action Plans and Progress reports on the implementation of the Internal Controls Framework.

5.6 External Auditor:

The external auditor must give an audit opinion on the audited financial statements of Council. The financial statement must also comply with accounting standards and principles along with information as prescribed in the Local Government (Financial Management) Regulations 2011.

Section 129 of the Local Government Act 1999 and regulation 19(3) of the Local Government (Financial Management) Regulations 2011 provide that the auditor in addition to the above must examine the internal controls exercised by the Council. These controls are in relation to the following:

- **Money** - Receipt, expenditure and investment of money;
- **Property** - The acquisition and disposal of property; and
- **Liabilities** - The incurring of liabilities' and provide an audit opinion as to whether the controls are sufficient to provide reasonable assurance that the financial transactions of the council have been conducted properly and in accordance with law.

6. INTERNAL CONTROL ENVIRONMENT

Strategies to maintain sound internal controls are based on risk analysis of the internal operations of Council, with a focus on the key elements of:

- **Organisation Environment** - The structure and broad policies adopted to manage the organisation and assist employees to carry out their roles and functions.
- **Information System** - The methods and procedures used to collect collate and distribute financial and non-financial information.
- **Processing System** - The mechanisms in place to ensure that transactions are captured checked and verified. The use of technology with automated controls and strengthens the internal control environment.

Approach - An internal control framework should be based on a pro-active risk management approach that includes regular review and identification of the risks that exist within the Council operations. Council will maintain an effective Risk Management Framework with internal controls included as an

integral part of that framework. An appropriate internal control measure is applied to each key activity in order to reduce the inherent risk of that activity to an acceptable level.

Risks - Risks should be identified and assessed, and then an appropriate internal control framework developed and implemented to reduce the potential impact of those risks. This should include an analysis to assess whether the cost of a new or modified control is likely to provide a net positive benefit.

Risk Assessment - In establishing and assessing internal control practices, it is necessary to recognise that in practical terms a certain level of risk will always exist within organisations.

Controls can be allocated to three categories:

- **Preventative** - Processes put in place to avoid undesirable events from occurring.
- **Detective** - Processes put in place to detect and subsequently correct undesirable events that have already occurred.
- **Directive** - Processes put in place to encourage a desirable event to occur.

7. **PRINCIPLES:**

The Principles guiding a strong Internal Controls environment include:

- **Existence** - Assets and liabilities of the entity exist at a given date;
- **Valuation** - Assets or liabilities are recorded at the appropriate carrying value;
- **Occurrence** - Recorded transactions or other events occurred during the relevant period;
- **Authorisation** - Control is established at source and only properly authorised transactions are processed;
- **Segregation of duties** - Responsibility for executing a transaction, recording the transaction and maintaining custody of the assets and/or liabilities resulting from a transaction should be assigned to different individuals or departments;
- **Completeness** - There are no unrecorded assets, liabilities, transactions or other events or undisclosed items;
- **Measurement / Recording** - A transaction or event is recorded at the proper amount and revenue or expense is allocated to the proper period (facilitated by the use of IT data integrity); and
- **Disclosure** - Particular components of the financial report are properly disclosed, classified and described.

8. TRAINING

8.1 It is the responsibility of Council Administration to provide adequate training and support for staff.

8.2 Training will be provided to staff as part of the induction process and be refreshed as part of the annual review process.

9. REPORTING

9.1 Finance Department:

The Manager, Financial Services will monitor progress of Action Plans annually and report to the Corporate Governance Group and the Audit and Risk Committee.

9.2 Audit and Risk Committee:

The Audit and Risk Committee will receive Progress Reporting of actions taken by the Administration in relation to required control improvements. The Audit Committee will monitor the scope of the assessment and the recommended improvements to ensure best practice, accountability and efficient, effective and compliant systems.

10. REVIEW

This Policy will be reviewed every three years or the frequency dictated in legislation, or earlier in the event of changes to legislation or related Policies and Procedures or if deemed necessary by the Manager Financial Services.

11. ACCESS TO THE POLICY

The Policy is available for public inspection at the Customer Service Centre, at the Local Government Centre, 6 Dutton Road, Mount Barker, South Australia and on the Council's website www.mountbarker.sa.gov.au.

12. FURTHER INFORMATION

For further information on this Policy, please contact:

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