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INTERNAL CONTROL POLICY		

POLICY STATEMENT

Internal control is a key factor in ensuring that the Council is effectively managed and that its resources are not misused or misappropriated. An effective internal control environment will provide the means by which Council can successfully address and mitigate many risks, not only those of a financial nature.

1. Introduction

- 1.1. Council shall develop and maintain such management structures, organisational behaviours, policies, procedures, records and methods of reporting that are necessary to collectively ensure that the financial and non-financial operations of Council is conducted in an orderly and efficient manner to achieve Council's objectives by:
 - 1.1.1. Assessing and containing the risks faced by Council to an acceptable level
 - 1.1.2. Detecting and correcting irregularities
 - 1.1.3. Safeguarding assets against loss or misuse
 - 1.1.4. Ensuring financial and other records are complete and accurately and reliably reflect the conduct of the Council
 - 1.1.5. Preventing the misuse or misappropriation of resources
 - 1.1.6. The Council's Strategic Plans and the objectives and goals contained therein are achieved
 - 1.1.7. Resources are acquired economically and employed efficiently, quality business processes and continuous improvement are emphasised
 - 1.1.8. The actions of all Council officers (including Council members, senior management and staff) are in compliance with the Council's policies, standards, plans and procedures, and all relevant laws and regulations

2. Scope

- 2.1. 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. The purpose of internal control is to provide assurance that the internal risks faced by Council are contained to acceptable levels.
- 2.2. This Policy has been developed to meet the challenges in the business environment for greater efficiency and value for money in the conduct of Council operations.

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3. Applicable Legislation

The following legalisation applies to this Policy:

3.1. Local Government Act 1999 (*the Act*)

- Section 125 of the Local Government Act requires Council to have Internal Control Policies. The Act does not prescribe the content of these policies, procedures or practices.
- Section 126 of the Act states that a Council must have an Audit Committee and states what the functions of an audit committee may include.
- Section 130 of the Act states that the Chief Executive Officer must provide assistance to the Auditor in the conduct of their duties.

3.2. Local Government (Financial Management) Regulations 2011

- Part 6, Section 19 of the Local Government (Financial Management) Regulations 2011 states that In forming an audit opinion for a Council under Section 129(3)(a) of the Act, the auditor must give due consideration to the adequacy of the Council's policies, practices and procedures of internal control under Section 125 of the Act.

3.3. This Policy is a mandatory requirement and also essential for good governance.

4. Integration with Corporate Objectives

This Policy supports Council's Strategic Plan 2019 - 2029

4.1. Governance Objective – Leadership

Goal 5 - To provide leadership and ensure resources are managed efficiently and effectively.

- 5.2 Finance – To have open, accurate and effective financial Management.

5. Related Council Policies and Documents

5.1. This Policy is also designed operate in conjunction with other policies, including:

- Code of Conduct of Council Employees
- Public Interest Disclosure Policy
- Complaints Policy
- Fraud and Corruption, Misconduct and Maladministration Policy

6. Definitions

For the purposes of this Policy, the following definitions apply:

6.1. **Internal Control** – comprises those management policies, procedures and practices which collectively ensure that the level of internal risk of an organisation is contained so that its objectives are achieved in an orderly and efficient manner.

6.2. **Control** – is any action taken by management to enhance the likelihood that established objectives and goals will be achieved. Controls may be **preventative** (to deter undesirable events from occurring), **detective** (to detect and correct undesirable events that have occurred), or **directive** (to cause or encourage a desirable event to occur).

7. Application

- 7.1. This Policy applies to Council Members and Employees, Contractors and other authorised personnel who act on behalf of Council.
- 7.2. Internal Control Environment
- 7.2.1. Internal control requires a full risk analysis of the internal operations of Council. This should be addressed within the analysis of the Control Environment.
- 7.2.2. Internal control and risk management are key components of a sound governance framework. Governance concerns leadership and incorporates long-term planning, compliance, internal control, risk management, resource allocation, accountability and transparency.
- 7.2.3. Internal Control is based on three elements:
- Control environment
 - Information system
 - Control procedures
- 7.2.4. The **control environment** comprises organisational structures and culture and includes:
- Management operating style
 - Integrity and ethics
 - Levels of responsibilities and delegated authorities
 - Audit practices
 - Information technology (system access and security)
 - Human resource management practices
- 7.2.5. The control environment requires Council to conduct an evaluation of the risks to which council operations are exposed. This should include both financial and non-financial risks.
- 7.2.6. The **information system** comprises all of the records and reporting methods of Council used to maintain accountability for assets, liabilities, income and expenses and for the achievement of the objectives of council.
- 7.2.7. **Control procedures** comprise those policies and procedures established to ensure that the objectives of council are achieved in an efficient and effective manner. These include:
- Document control
 - Reconciliations
 - Physical access controls
 - Protection of assets
 - Financial accounting procedures
 - Information technology controls
 - Budgeting and reporting
 - Management controls
- 7.2.8. The use of technology with automated controls strengthens the internal control environment.
- 7.2.9. Internal control is integral to risk management. 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. The purpose of internal control is to provide assurance that the internal risks faced by

Council are contained to acceptable levels. This must be defined in respect to risk in respect to the financial, political, human resource, technical, information and technological operations of council.

7.2.10. Internal Control is not concerned with risk management as it applies to matters external to the operations of Council. Specifically, Internal Control is not concerned with risks faced by the council including potential disasters or political, economic and environmental risks.

7.3. Effective Internal Controls

7.3.1. Principles of Internal Control

- a) The aim is to clearly document and explain internal control practices in such a way that will provide sufficient confidence to Council that the organisation is being properly managed within acceptable limits of risk.
- b) The system must include tasks to:
 - Evaluate the control environment within Council
 - Identify and evaluate the risks faced by Council
 - Evaluate the information system used by Council
 - Principles include:
 - Existence
 - Valuation
 - Occurrence
 - Authorisation
 - Segregation of duties
 - Completeness
 - Measurement
 - Recorded
 - Disclosure

7.3.2. Evaluation and Design

- a) 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.
- b) Risks should be identified and assessed, 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.
- c) As the level and type of risk change over time, the framework of internal controls must include the provision for regular and effective monitoring and review.

7.3.3. Risk Assessment

- a) The risks that have been identified should be assessed by considering the impact of influencing factors and including:
 - Any influencing factors that are likely to change or could vary in certain circumstances (very likely, likely, unlikely, highly likely);
 - The size and impact of any variation (catastrophic, major, moderate, minor, insignificant);
 - How the impact of the variation can be controlled or avoided

7.3.4. Elements of Control

- a) Internal control systems will vary depending on the operating environment, such as size and nature, type of operation, level of autonomy or other practical implications.
- b) Aspects of an effective control framework will include:
 - Delegation of authority
 - Documented policies and procedures
 - Trained and qualified employees
 - System controls
 - Effective process review
 - Regular internal audits
 - Documentation or risk identification and assessment
 - Regular liaison with auditors and legal advisors

7.3.5. Examples of Specific Controls

- a) The following are examples of controls that can be implemented after a risk assessment requires implementation of controls. In assessing the implementation of controls the costs will be weighed against the benefits before proceeding.
 - Separation of roles and functions, processing and authorisation;
 - Control of approval of documents, letters and financial records;
 - Comparison of internal data with other or external sources of information;
 - Limit of direct physical access to assets and records;
 - Control of computer applications and information systems standards;
 - Limit access to make changes in data files and systems;
 - Regular maintenance and review of financial control accounts and trial balances;
 - Comparison and analysis of financial results with budgeted amounts;
 - Check the arithmetical accuracy and content of records;
 - Report, review and approval of financial payments and reconciliations;
 - Comparison of the result of physical cash and inventory counts with accounting records.

7.3.6. Implementation and Documentation

- a) Council has a suite of policies and procedures in place and will be developing an Internal Control Procedure/Manual which will support this policy. Further risk assessment and review of existing operations shall be undertaken over a period of normal policy and procedural review and as new operations are implemented or when requested specifically by the Audit Committee.
- b) Compliance against the Internal Controls will be monitored over time through the Control Track program to ensure that the system of internal control of Council is adequate and is operating in a sound manner.
- c) A copy of the documentation should be easily accessible by relevant employees.

7.3.7. Training

- a) Employees should undertake training in aspects of control that directly affect their own work procedures and should be aware of other control practices within the Council.

7.3.8. Review of Internal Controls

- a) An ongoing program of review should be implemented to monitor and identify any changes in the level of type of risk exposure. A risk review should also be undertaken in response to a process or system change.
- b) The aim of a review is to:
 - Assess reliability and integrity of system information
 - Ensure that system procedures comply with policies, standards, laws and regulations
 - Evaluate system compliance to written procedures and work practices
 - Determine overall effectiveness
 - Identify issues
 - Plan and implement changes
- c) Major task of a review program are to:
 - Identify key issues
 - Assess whether associated control are effective and
 - Determine whether additional or different controls are needed
- d) The assessment of risk should consider aspects of internal control including:
 - Relevant principles
 - Recommended practices
 - Key issues
 - Options for improvement
- e) Internal control is about good management, not just good financial management.

7.3.9. Limitations of Internal Control

- a) A sound system of internal control will provide management and the elected body with a high degree of confidence that Council operations are effectively managed and all resources are properly deployed. However, there are limits to the level of certainty.
- b) Limitations include:
 - Controls are designed for routine transactions – abnormal or non-routine transactions may bypass control mechanisms;
 - The internal control system is operated by people, so there is potential for human error with mistakes as a result of lack of attention, carelessness, improper judgement, lack of knowledge or misunderstanding of instructions;
 - People may act together in collusion to undermine the system of internal control;
 - Employees may abuse a delegation or responsibility to override the internal control system;
 - The cost of implementing some controls maybe greater than the benefit;
 - Over time, internal controls may become ineffective because of changes to procedures or practices.

8. Complaints

- 8.1. Complaints under this Policy must be in writing to the Chief Executive Officer and lodged in accordance with Council’s Complaints Policy.

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9. Council Delegation

- 9.1. Pursuant to Section 44 of the Local Government Act 1999, Council delegates to the Chief Executive Officer authority to administer Council’s policies.
- 9.2. In terms of this Policy, the Chief Executive Officer may sub delegate to an employee of Council which is required to be made public and is available on Council’s website www.coppercoast.sa.gov.au.
- 9.3. The Elected Member body is responsible for the Internal Control Policy of Council.
- 9.4. The Chief Executive Officer is accountable to the Elected Member body for developing and implementing such internal controls as are necessary to ensure that the objectives of Council are achieved in an orderly and efficient manner.
- 9.5. The management of Council is responsible for the development of adequate internal controls and for their implementation, evaluation and review in respect to all of the functions of Council under their control as far as practicable that:
 - 9.5.1. financial records and other relevant data bases completely and accurately reflect the actual operational activities and the timely preparation of reports;
 - 9.5.2. assets are safeguarded from unauthorised use or disposition;
 - 9.5.3. irregularities are prevented, if they occur are able to be detected and corrected.
- 9.6. The management is expected to promote a best practice approach in support of effective business practices and properly functioning controls.
- 9.7. The Council employees are responsible for conducting their duties in accordance with 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 complied with.

10. Adoption and Review



- 10.1. This Policy shall be reviewed annually, and undertaken by the Audit Committee and further report provided to Council for consideration and adoption.

11. Records Management

- 11.1. Official records will be managed in accordance with Councils Records Management Policy pursuant to Section 125 of the Local Government Act 1999.

12. Availability of Policy

- 12.1. Policies will be available for inspection without charge at Council’s Principal Office and on Council’s website www.coppercoast.sa.gov.au.
- 12.2. A copy of this Policy may be obtained on payment of a fee in accordance with Councils’ Schedule of Fees and Charges.

Signed		
	Mayor	Chief Executive Officer
Date	5 th July 2023	

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