

Internal Controls Policy

Reference Number:	Section 6 No. 22
Responsible Department:	Business & Finance
Related Policy/Procedure:	All Policies and Procedures
Date of Adoption:	28 July 2015
Current Review Date:	8 November 2022
Resolution Number:	OCM-2022/200
Version Number:	Amendment No. 5
Applicable Legislation:	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)
Next Review Date:	November 2024
Review Frequency:	Biennially

1. Purpose

This policy provides clear direction to management, other employees and the Council in relation to the internal financial control processes implemented by the Council to facilitate a culture that adopts and promotes integrity, strong ethical values and competence; reinforcing the Council's core values contained with its Strategic Management Plan.

Council is committed to maintaining an effective Internal Control environment.

2. Definition

Internal control is part of Council's corporate governance framework and covers both financial and non-financial aspects of business operations including strategic management, business development, project management, finance, information technology, information and record management and risk management. It comprises procedures to mitigate risks and provide reasonable assurance that operations are efficient and effective, assets and digital information are safeguarded, legislation and council policies/rulings are complied with and financial reporting is accurate and reliable.

3. Scope

This policy applies to all policies, procedures and practices where Section 125 of the Local Government Act, 1999 is foreseeable.

4. Policy Aims

This policy provides guidance relating to the establishment of an effective internal control system that seeks: -

- a) to safeguard LRC's financial and other resources;
- b) to review and mitigate risks (;
- c) to support management through the provision of, systems, policies and procedures which shall be adhered to across Council by all employees;

- d) to ensure the propriety of transactions, integrity of information and compliance with all legislative requirements including those provided for pursuant to Section 125 of the Local Government Act 1999;
- e) the achievement of Council's strategic plans and objectives through operational efficiency.
- f) to protect against the unauthorised exploitation of systems, networks and technologies.

5. Policy Details

5.1 Risk Management Approach

Council will maintain an Internal Control system, incorporated into Council's Risk Management Framework (Appendix A) to promote a proactive risk management culture. Internal controls will be applied to risks identified in the framework to minimise the inherent risks of associated activities to acceptable levels and to risks which may prevent council from meeting its objectives or not maximising its opportunities.

Internal controls will be identified, documented, reviewed and managed for financial and non-financial risks. 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.

5.2 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 and Risk (A&R) Committee.

The Chief Executive Officer and principal member of Council must also sign the financial statements regarding internal controls as required by Local Government (Financial Management) Regulations 2011. The A&R Committee certifies that the Auditor is independent.

Management 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.

5.3 Elements of the Internal Control Framework

The essential elements of an effective internal control framework are:

- Structure and culture of Council;
- Delegations of Authority;
- Appropriate 'separation' of duties ensuring that no one person has sole control over the lifespan (initiate, record, authorise and reconcile) of a transaction – resulting in payments and receipts

- Policies and procedures are communicated to employees;
- Employees have ready ongoing access to procedures and policies;
- Trained and appropriately qualified staff;
- Information Technology controls including comprehensive cyber-security protection;
- Review process e.g. internal and external audit;
- Liaison with external auditors and legal advisors;
- Senior Management compliance assurance;
- Risk identification and assessment.

5.4 Internal Control Methods

Light Regional Council utilises a variety of methods to assess the effectiveness of various categories of internal controls. The categories, assessment tools and service providers are as follows:

Category of Internal Control	Assessment Tool	Service Provider
Financial Internal Controls	Best Practice Model - Internal Financial Controls	Local Government Association
	Control Track	Control Track
Financial management	Budget – close and regular monitoring of actual financial outcomes	Light Regional Council
Governance Internal Controls	Review of key financial policies including the Treasury Management, Asset Capitalisation, Debt Management and Procurement Policies	Light Regional Council
Risk Management Internal Controls	LGA Mutual Liability Scheme – Insurance including public liability Risk Management Reports	LGAMLS – Annual Audit Internal quarterly review and report
Delegations Internal Controls	Delegations Register	Internal Database – Reviewed quarterly in line with the LGA update
Information Technology and Information Management	Business Review report, monitoring the effectiveness of controls Security patching, backups and antivirus measures in place	Monitored by External Service Provider Blackbird IT
Policies and Procedures	Electronic Records Management System	Microsoft Teams – Sharepoint reminders for review dates

5.5 Controls over Records and Assets

Light Regional Council has the following internal controls in place as a precautionary measure to protect its assets including plant, equipment and associated records;

- Council records are stored in a fire-proof room
- Electronic records cannot be deleted without recovery mechanisms
- Backup tapes of electronic data are stored off site or at multiple locations including, managed service providers such as cloud service arrangements
- Council plant and equipment are kept in a secure location at the depot
- Daily takings are kept in a secure location and banked daily
- Limited access in accordance with delegations

5.6. Controls over **Authority for Transactions**

Delegation and sub delegation for specified financial transactions are provided for in the Internal Controls Policy, Schedule 1. The internal controls are in place to protect and reduce the risk of fraudulent activity with two officers required to authorise/and or submit payments for financial transactions.

5.7 Monitoring of Controls

The review and monitoring of internal controls may occur at many levels management/committees/Council. This function may also be undertaken by external parties including the external Auditors to undertake the required Audit Certification.

This monitoring function may be included in the;

- Audit and Risk Committees' annual working program
- Review of the Strategic Management Plans
- Budget reviews and regular financial reporting
- Review of the Risk Registers (strategic and operational)
- Review of the Annual Business Plan Objectives

Council utilises the Deloitte 'Control Track' system to undertake an electronic internal control audit which ensures selected internal controls are reviewed to;

- Identify risks
- Develop continuous improvement action
- Implement improvement
- Monitor effectiveness of improvement

6. References

- Local Government Act 1999, Section 125
- ISO 31000:2018 "Risk Management Guidelines"

7. Review of Policy and Database of Internal Controls

Council's Internal Control Policy will be reviewed biennially. The database of internal controls will be reviewed at least every twelve months to ensure all controls are current and appropriate and the General Management Group 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.

8. History of Policy Amendment

1. Policy adopted by the Audit Committee on 30 June 2015
2. Policy adopted by the Council on 28 July 2015, Refer Minute Reference Page 2015/215
3. Policy adopted by the Council on 24 January 2017, Refer Minute Reference Item No: 12.2.1 at Page 2017/5.
4. Amendment No. 3 adopted by Council on 27 April 2021, Minute Reference AUD9.2.8/2021, Page Reference 2021/90
5. Amendment No. 4 adopted by Council on 23 November 2021, Minute Reference AUD10.5/2021, Page Reference 2021/243
6. Amendment no. 5 adopted by Council on 22 November 2022, Resolution No OCM-2022/200

SCHEDULE 1: DELEGATION OF AUTHORITY – SPECIFIED TRANSACTIONS

Nature of Transaction	Transaction Value	Delegated Officer	Comment
Electronic Payments to suppliers, employees and other creditors.	\$2.4M	GM - Governance	BankSA online payment system requires 2 staff members to authorise & release payments.
	\$2.4M	GM – Business & Finance	
	\$1.8M	Finance Manager	
	\$1.8M	Financial Controller	
	\$1.5M	Human Resource Manager	
	\$1.5M	Assistant Accountant	
Signing of Cheques for payments to suppliers and other creditors.	Unlimited	GM - Governance	BankSA requires 2 staff members to sign cheques
		GM – Business & Finance	
		Finance Manager	
		Financial Controller	
		Library Manager	
		Assistant Accountant	
Reimbursement of personal expenses of General Managers	Up to delegated limit	CEO or other GMs	
Reimbursement of personal expenses of Other Employees	Up to delegated limit	Immediate Manager or GM	
Insurance Renewals	Up to delegated limit	Chief Executive Officer	
Settlement of Insurance Claims	Greater than \$5000	Chief Executive Officer	
	Less than \$5000	GM – Governance GM – Business & Finance	
Provision for Doubtful Debts	Unlimited	GM – Governance GM – Business & Finance	On the recommendation of Finance Manager.
Bad debts write offs	Over \$5000	Council	On the recommendation of Finance Manager.
	\$2,500 - \$5000	Chief Executive Officer	
	Under \$2,500	GM - Governance	
Asset sales & write offs; Land and Buildings.	Unlimited	Council	
Asset sales & write offs; Assets other than Land and Buildings	Up to delegated limit	GM responsible for the care and management of the asset	
Initiate, settle or abandon any legal action in Council name	Unlimited	Council	

Note – Officer position titles may be amended from time to time and where appropriate delegated authority will follow to the alternate position title.