## Internal Controls (Financial Management) Policy

<table>
<thead>
<tr>
<th>Reference Number:</th>
<th>Section 6 No. 22</th>
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<tbody>
<tr>
<td>Responsible Department:</td>
<td>Business &amp; Finance</td>
</tr>
<tr>
<td>Related Policy/Procedure:</td>
<td>All Policies and Procedures</td>
</tr>
<tr>
<td>Date of Adoption:</td>
<td>28 July 2015</td>
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<td>Version Number:</td>
<td>Amendment No. 1</td>
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<tr>
<td>Applicable Legislation:</td>
<td>Local Government Act 1999 - Sections 125, 126, 129 &amp; 130</td>
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<td></td>
<td>Local Government (Financial Management) Regulations 2011 r14 (e)</td>
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### Next Review Date: January 2019

**Review Frequency:** Biennially

#### 1. Purpose

This policy provides clear direction to management, staff and the Council in relation to the internal financial control process 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, record management and risk management. 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.

#### 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 review and mitigate risks;
- b) to support management through the provision of documentation, systems and procedures which shall be adhered to across Council by all employees;
- c) 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;
- d) the achievement of Council’s strategic plans and objectives through operational efficiency.
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 (Financial Management) 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.

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 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;
- Policies and procedures are communicated to employees;
- 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.

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:

<table>
<thead>
<tr>
<th>Category of Internal Control</th>
<th>Assessment Tool</th>
<th>Service Provider</th>
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<tbody>
<tr>
<td>Financial Internal Controls</td>
<td>Best Practice Model - Internal Financial Controls</td>
<td>Local Government Association</td>
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<td></td>
<td>Deloitte ‘Control Track’</td>
<td>Deloitte Australia</td>
</tr>
<tr>
<td>Governance Internal Controls</td>
<td>Review of key financial policies including the Treasury Management, Asset Capitalisation, Debt Management and Procurement Policies</td>
<td>Light Regional Council</td>
</tr>
<tr>
<td>Risk Management Internal Controls</td>
<td>LGA Mutual Liability Scheme – Insurance including public liability</td>
<td>LGAMLS – Annual Audit</td>
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</table>
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 fireproof room
- Backup tapes of electronic data are stored off-site
- 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 **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 Committees’ annual working program
- Review of the Strategic Management Plans
- Budget reviews
- Review of the Risk Register
- 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
- Australian/New Zealand Standard AS/NZS ISO 31000:2009

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