POLICY	ROXBY COUNCIL	Responsible Department	Finance
		Original Adoption Date	31.01.2011
		Current Adoption Date	**23.04.2025**
		Audit Committee Review Date	11.04.2025
		Date of Review	23.04.2028

FINANCIAL INTERNAL CONTROL	
Latest Review Changes	Reviewing the better practice model, ensuring had been updated appropriately. Removal of any reference to NAB and updating references to Open Office to a generic reference of financial software.
Previous Council Reviews	31.01.12, 30.05.13, 30.11.16, 29.11.18, 27.07.22
Previous Audit & Risk Committee Reviews	08.07.10, 30.05.13, 21.10.16, 09.11.18, 19.08.22

Applicable Legislation

Local Government Act 1999

Local Government (Financial Management) regulations 2011

Related Policies

Fraud and Corruption Policy

Related Procedures

Internal Control Manual

Reference Documents

Better Practice Model—Internal Financial Controls

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1. INTRODUCTION

Financial internal control is part of Council's corporate governance framework and covers areas such as strategic management, business development, project management, procurement, finance, etc. 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.

2. LEGISLATIVE AND STANDARDS REQUIREMENTS

Under S125 (1) of the *Local Government Act 1999* Council:

> *must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the Council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the Council's assets, and to secure (as far as possible) the accuracy and reliability of Council records.*

To meet these legislative requirements, Council operates an internal controls framework consistent with the 'Better Practice Model – Financial Internal Control for South Australian Councils' (BPM), in line with Regulation 10A of the Local Government (Financial Management) Regulations 2011.

> *10A-Internal control policies - For the purposes of section 125(2) of the Act, the policies, practices and procedures of internal financial control of a Council must be in accordance with the Better Practice Model Internal Financial Controls.*

This framework identifies core and additional controls for each financial risk identified. Councils is required to assess the risks and in first instance demonstrate that as a minimum the core controls are in place.

The importance of Financial Internal Controls is emphasised by the requirement of Council's external auditors to express an opinion each year as to *"whether the controls audited under subsection (1)(b) are sufficient to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law."* (Section 129(3)(b) LGA).

3. DEFINITIONS

TERM	DEFINITION
Internal Financial Control	The process that assists the Council in addressing the risk of fraud and error, improves the reliability of financial reporting and compliance with laws, regulations and policies.
Better Practice Model (BPM)	The framework prepared by the Local Government Association of South Australia (LGA) and the South Australian Local Government Financial Management Group (SALFMG) and regulated within the Local Government (Financial Management) Regulations 2011. This framework provides guidance which Councils can use alongside their existing risk framework to aid in developing a risk-based approach to the identification and assessment of financial risks and internal controls.

4. POLICY OBJECTIVES

Council is committed to ensuring an efficient and effective internal control environment, that utilises Council resources prudently.

Council's objectives of this Policy are:

- That risks relating to the stewardship of public resources are adequately managed through effective internal controls

- A framework for an effective financial internal control system which conveys to managers that they are responsible for ensuring that internal controls are established, documented, maintained, utilised and adhered to across the Council, and to all employees that they are responsible for utilising and adhering to those internal controls

- To ensure the propriety of transactions, information integrity, compliance with regulations and achievement of Council objectives through operational efficiency.

5. ROLES AND RESPONSIBILITIES

Council is responsible for approval of the Financial Internal Control Policy, and the Chief Executive is responsible for maintaining a financial internal control framework, which ensures Council objectives are achieved efficiently, accountably and effectively. Updates on changes to the framework will be presented to the Audit Committee.

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 controls. Council employees must conduct their duties in accordance with all financial internal control policies procedures and practices of Council.

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

- **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.

- **General Managers and Managers** - are responsible for the development of adequate financial 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:

    i. All financial records and other relevant databases completely capture and accurately reflect the actual operational activities and the timely preparation of reports

    ii. Assets are safeguarded from unauthorised use or disposal

    iii. Irregularities are prevented, or detected and corrected if they occur

    iv. Legislative compliance is maintained.

    v. Staff have adequate training to completely fulfil their responsibilities.

    vi. Management is expected to promote a best practice approach in support of effective business practices, accountability and properly functioning controls.

- **Employees** - Council employees are responsible for conducting their duties in accordance with all financial internal control policies, internal control manual, 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 met. Employees will participate in the internal implementation, checking and investigating processes.

- **Audit and Risk Committee** - provides independent review and advice to Council in relation to the administration's approach to corporate governance matters including internal controls.

- **External Auditor –** is responsible for giving an audit opinion on the audited financial statements of the Council under S129 of the *Local Government Act 1999*.

5.1. Elements of an Internal Control Framework

The essential elements of an effective internal control framework are:

- Structure and culture of Council
- Delegations of Authority
- Policies and procedures
- Trained and properly qualified staff
- Information Technology controls
- Review process
- Liaison with auditors and legal advisors
- Senior Management compliance assurance
- Risk identification and assessment.

5.2. Risk Management Approach

Council will maintain an internal 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.

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. Council will develop a culture that emphasises integrity, ethical values and competence.

To assist in the ongoing improvement of a risk management system Council will review a selection of risks in the Local Government Association's Better Practice Model – Internal Financial Controls each year, to ensure the tested controls are current and appropriate.

Councils Internal Control software has inherent risks aligned with the Better Practice Model. The controls are implemented to reduce the inherent risk to an acceptable risk (residual risk). The residual risk is then assessed against Council's risk tolerance. The controls identified for assessment will be on a rolling review cycle, ensuring extreme and high risks are assessed more regularly than low risk controls.

The Senior Management Team and the Audit Committee will be informed of the outcome of each review.

6. REPORTING, REVIEW & EVALUATION

Every 12 (twelve) months a report will be prepared for Council's Audit & Risk Committee. The report will outline the activities undertaken in the previous 12-month period in relation to the maintenance of financial internal controls and how the obligations under this policy have been met.

The effectiveness of this Policy will be reviewed and evaluated every 3 (three) years.

7. AVAILABILITY OF THE POLICY

The Policy is available for inspection (without charge) at Council's Principal Office at 6 Richardson Place Roxby Downs.