



## Whyalla City Council

<b>Financial Internal Control Policy</b>	
Type	Financial
GDS Category	Financial Management – Public
Responsible Officer	Finance Coordinator
Policy Adopted	February 2024
Review Period	Four years
Last Reviewed	July 2018 ( <i>now archived</i> )
Next Review Date	Feb 2028
Policy Version Number	6
Applicable Legislation	<ul style="list-style-type: none"> <li>Local Government Act 1999 –Section 125</li> </ul>
Related Documents	<ul style="list-style-type: none"> <li><i>Better Practice Model – Internal Financial Controls</i></li> <li>Accounting Procedures and Policy</li> <li>Rating Procedures</li> <li>Asset Management Policy</li> <li>Leasing Procedures</li> <li>Internal Control Procedures</li> <li>Procurement Procedures</li> <li>Annual Business Plan and Budget Procedure</li> <li>Quarterly Budget Review Procedure</li> <li>Authorised Officers Register</li> </ul>
Public Consultation Required	No
Purpose	To provide direction to Management, Staff and Council in relation to the financial internal control function.

## 1. Introduction

Internal control is part of Councils' Corporate Governance Framework and covers areas such as strategic management, business development, project management, 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.

A complete risk management and Corporate Governance Framework for the financial component of internal controls are required to ensure Council resources are used prudently and in an efficient, effective and economical manner. These include accounts payable, payroll, budgeting, management reporting, banking, purchasing and contracting. Financial internal controls are critical to effective risk management of a Councils' operations and promote the achievement of its goals and objectives.

Council is committed to maintaining an effective financial internal control environment.

## 2. Policy Objective

Councils' objectives of this policy are:

- 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 all employees are responsible for utilising and adhering to those internal controls; and
- to ensure the propriety of transactions, information integrity, compliance with regulations and achievement of Council objectives through operational efficiency.

## 3. Scope

Internal control is an important function designed to help safeguard Council by minimising risks and protecting assets through accurate record-keeping, operational efficiency and adherence to policies, rules, and regulations.

## 4. Definitions – Nil

## 5. Policy Statement

Councils' internal control framework identifies risks which may prevent Council from meeting its objectives or not maximising its opportunities. It is recognised that all risks cannot be eliminated, however, the application of internal controls 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.

## 5.1 Roles and Responsibilities

Council is responsible for approval of the Financial Internal Control Policy and the Chief Executive Officer is responsible for developing and 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 Executive 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.

The Audit & Risk Committee will review the outcomes of internal self-assessments and monitor the implementation of any identified actions for controls rated as either Extreme or High Risk. Actions may also be identified by Council's external auditor, internal auditor, or other external reviews, with these to be monitored by the Audit & Risk Committee.

## 5.2 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 processes, e.g. internal audit;
- liaison with auditors and legal advisors;
- senior management compliance assurance; and
- risk identification and assessment.

## 5.3 Risk Management Process

### Establish Goals and Contexts

Effective risk management requires a thorough understanding of the goals and context of Council to assist in establishing the assessment criteria for risk management.

### Risk Management

The risks relevant to Council are outlined within the *Better Practice Model – Internal Financial Controls*. A full assessment on each of these risks will be undertaken once every three years, but more often if required, using the process below.

*Identify Risks* – identify the risks most likely to impact on the achievement of Councils' objectives.

*Analyse Risks* – assess the effectiveness of risks in terms of likelihood and consequence to identify the current risk level.

*Evaluate Risks* – determine whether the risks are acceptable or unacceptable and document findings.

*Treat Risks* – Discontinue the activity that generates the risk, reduce the likelihood of occurrence, reduce the consequence of occurrence, transfer the risk or retain the risk.

Consultation/Communication

Ensure that all stakeholders, including employees and Elected Members, understand why actions are required.

Monitor/Review

Responsible officers must be identified for each internal control. Managers monitor and report progress to the Executive Management Team and the Audit & Risk Committee on a regular basis, as outlined in section 5.4 below.

**5.4 Review of Database of Internal Controls**

Each of the controls in the *Better Practice Model – Internal Financial Controls* will be assigned to a review schedule of 1, 2 or 3 years, based on the level of the risks associated with it, as follows:

Risk	Review Cycle
Extreme	Annually
High	Annually
Moderate	Biennially
Low	Triennially

If there is a change in the risk environment for a particular control, that risk will need to be reassessed and assigned to a different review period. All risks will be reassessed once every three years.

Each control will be assigned to both an assessor and a reviewer, with the assessor role to be undertaken by the officer responsible for implementing the control and the reviewer to be their supervisor.

Each year, each applicable control will be reviewed for effectiveness by the assessor and reviewer, with each control to be given one of the following ratings:

Score	Description
Effective	The control has been fully implemented and has, in all cases been consistently and/or effectively applied.
Majority effective	The control has been implemented, and in the majority of cases has been consistently and/or effectively applied. There is potential to enhance the effectiveness of the control, but only with minor adjustments.
Partially effective	The control has been implemented but with some deficiencies in the consistency and/or effectiveness in which it has been applied.
Requires significant improvement	The control has been implemented, but with significant deficiencies in the consistency and effectiveness of the implementation. Significant management action is required to implement processes to improve the effectiveness of the control.
Ineffective	The control has not been implemented. Urgent management action is required to implement the described control processes.

Comments will also be provided, outlining how the given rating was arrived at.

Controls with a rating of Partially Effective or lower will be actioned in one of two ways:

- where there is acute risk to Council an action plan is required, outlining how the effectiveness of the control will be improved in the short term.
- where the risks to Council are not material and where significant resources are required to undertake improvements, a control may be flagged as a long term continuous improvement item.

The Executive Management Team and the Audit & Risk Committee will be updated regularly on the progress of any action plans identified during the review process, for controls rated as Extreme of High risk.

The Executive Management Team will prioritise long term continuous improvement items and set timeframes for implementation or chose to accept the control as is, and report these outcomes to the Audit & Risk Committee.

**6. Authority**

Adopted by Council – 26 February 2024

**7. History**

- Superseded Version 5: adopted by Council – February 2022
- Superseded Version 4: adopted by Council – July 2018
- Superseded Version 3: adopted by Council – May 2012
- Superseded Version 2: adopted by Council – July 2006
- Superseded Version 1

