

Internal Financial Control Policy



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Responsible Officer	Director – Corporate & Financial Services
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Due date of next Review	Election 2026

1. Purpose

- 1.1 The objective of this policy is to ensure that financial internal control is part of Council's corporate governance and covers areas such as strategic management, business development, project management, procurement and finance.
- 1.2 Council's objectives of this Policy are:
 - 1.2.1 Risks relating to the stewardship of public resources are adequately managed through effective internal controls.
 - 1.2.2 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.
 - 1.2.3 To ensure the propriety of transactions, information integrity, compliance with regulations and achievement of Council objectives through operational efficiency.

2. Policy

2.1 Scope / Application

- 2.1.1 This policy covers 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.
- 2.1.2 A complete risk management framework for the financial component of internal controls are addressed and are required to ensure Council resources are used prudently and in an efficient, effective, accountable and economical manner. Examples of the types of activities addressed are accounts payable, payroll, budgeting, management reporting, banking, purchasing and contracting.
- 2.1.3 Financial internal controls are critical to effective risk management of a Council's operations and promote the achievement of its goals and objectives.
- 2.1.4 Council is committed to maintaining an effective financial internal control environment.

2.2 Roles and Responsibilities

- 2.2.1 **Council** - The Council is responsible for the Financial Internal Control Policy.
- 2.2.2 **Audit & Risk Committee** - The Audit & Risk Committee provide independent review and advice to Council in relation to the administration's approach to corporate governance matters including internal controls.
- Internal Audit Function**, if the council has an internal audit function providing oversight of planning and scoping of the internal audit work plan; and reviewing and commenting on reports provided by the person primarily responsible for the internal audit function at least on a quarterly basis; or
- If the council does not have an internal audit function, reviewing and commenting on an annual report provided by the chief executive officer in relation to the policies and processes adopted by the council to evaluate and improve the effectiveness of its internal control practices and procedures as required by *Local Government Act 1999, S126(4)(g)*
- 2.2.3 **Chief Executive Officer & Principal Member** - The Chief Executive Officer is accountable to Council for development and implementation of a financial internal control framework and appropriate systems to achieve accountability and integrity. 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, r.14*.
- 2.2.4 **Senior Management Team** – are responsible for adopting a risk management approach to identifying and assessing risks and apply cost/benefit analysis in the development of internal controls.
- 2.2.5 **Management** - Management 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:
- All financial records and other relevant databases completely capture and accurately reflect the actual operational activities and the timely preparation of reports
 - Assets are safeguarded from unauthorised use or disposal
 - Irregularities are prevented, or detected and corrected if they occur
 - Management is expected to promote a best practice approach in support of effective business practices, accountability and properly functioning controls.
- 2.2.6 **Employees** - Council employees are responsible for conducting their duties in accordance with all financial 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 met. Employees will participate in the internal implementation, checking and investigating processes.

2.3 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
- Internal Control Manual
- 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.

2.4 Risk Management Approach

- 2.4.1 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.
- 2.4.2 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. The Local Government Association's *Better Practice Model – Internal Financial Controls* will be used to record a database of financial risks and controls.

2.5 Database of Internal Financial Controls

The database of internal financial controls will be reviewed at least every twelve months to ensure all controls are current and appropriate. A report will be provided to the Audit Committee of the outcome of each review and will also be updated regularly on progress with any action plans identified during the reviews.

3. Policy Responsibility

The Director – Corporate & Financial Services is responsible for ensuring the proper operation of this Policy.

4. Availability/Accessibility

- 4.1 This Policy and Council's Fees and Charges Register are available to be downloaded free of charge from Council's website: www.mid-murray.sa.gov.au.
- 4.2 This Policy is available for inspection at Council's principal office during ordinary business hours. Hard copies, for a fee in accordance with Council's schedule of Fees and Charges, can be provided upon request.

5. Legislative Framework / Other References

- 5.1 [Local Government Act 1999](#)
- 5.2 [Local Government \(Financial Management\) Regulations 2011](#)
- 5.3 Australian Accounting Standards
- 5.4 Asset Management Policy
- 5.5 Procurement Policy
- 5.6 Prudential Management Policy
- 5.7 Budget Performance Policy
- 5.8 Long Term Financial Plan
- 5.9 Community Strategic Plan

6. Document History

This Policy shall be reviewed at least every four (4) years or more frequently if legislation or Council requires.

Version	Adopted	Minute	Description of Change
1	9 August 2016	18554/4	Council adopted this Policy.
2	11 February 2020	20905/1	Went to Council for review, minor changes, updating processes
3	20 February 2024	C02-24/021	Minor change to Clause 2.2 reflecting the recent legislative requirement to the Internal Audit Function. Updated to new policy