



INTERNAL CONTROL POLICY

<i>Responsible Officer/s</i>	Chief Executive Officer Chief Finance Officer
<i>Relevant Legislation / Documents</i>	Section 125 Local Government Act 1999 Section 129 Local Government Act 1999
<i>Adopted</i>	September 2023
<i>Reviewed</i>	
<i>Next Review</i>	June 2026

1. Purpose

Internal control is part of the Council's corporate governance framework and covers areas including strategic management, business development, project management and finance. 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.

Internal controls are also the plans and/or programs implemented to safeguard Council from potential fraudulent activity.

The Council is committed to maintaining an effective Internal Control environment.

2. Objective

The Councils objectives for this policy are:

- a) Risks relating to the stewardship of public resources are adequately managed through effective internal controls to ensure the likelihood of the residual risk occurring and the impact of the risk are within tolerable limits.
- b) A framework for effective internal control systems which convey to managers that they are responsible for ensuring that internal controls are established, documented, maintained and adhered to across the Council and to all employees that are responsible for adhering to those controls.
- c) To ensure the propriety of transactions, information integrity, compliance with regulations and achievement of Council objectives through operational efficiency.

3. Procedure

i. Principles

The system of internal controls extends beyond the matters which relate directly to the functions of the accounting systems and relates to every aspect of the Council's operations.

The essential elements of an effective internal control framework, per the 'Better Practice Model – Internal Financial Controls for South Australian Councils' are:

- Structure of the organisation
- Culture of the organisation
- Knowledge, skills and experience of employees
- Processes employed by the organisation to conduct business

The District Council of Loxton Waikerie recognises the importance of maintaining effective internal controls through policies and procedures to provide sufficient, appropriate direction to staff.

ii. Implementation

Risk Management

Council will maintain a risk-based internal control framework which will be based upon a proactive risk management culture. The type of risks identified in the framework will be those which may prevent Council from meeting its objectives and maximising its opportunities. It is recognised that risks cannot always be eliminated, however the internal controls applied should reduce the likelihood and/or impact of the risk occurring to within tolerable limits.

Council has adopted the principles within the 'Better Practice Model – Internal Financial Controls for South Australian Councils' framework for the assessment of internal controls.

Role of Elected Members, Chief Executive Officer and Management

The Local Government Act 1999 provides, in Chapter 7 Section 99, that the CEO is responsible for:

- The provision of information to Council to assess the performance against the strategic management plan
- Ensuring the assets and resources of the Council are properly managed and maintained; and
- Ensuring all necessary records are kept

The elected body must:

- Ensure that an internal control framework is implemented by the Chief Executive Officer.

The Chief Executive Officer and management must:

- Develop appropriate processes and procedures to ensure an effective system of internal control
- Ensure that the assets and resources of the Council are safeguarded from loss or improper use
- Ensure that relevant records are created and maintained, and
- Advise the Elected Body that a system of internal control is in place.

Control Activities

Council will maintain a range of internal control activities, including:

- General controls
- Application controls
- Security of data and assets

General controls include segregation of duties for financial and non-financial functions, supervision of staff and systems and system design and implementation maintenance to ensure integrity of systems.

Examples include:

- Maintenance of operating instructions
- Restrictions based on need and authority to computer files
- Specific procedures for rates, debtors, creditors, payroll, assets and other accounting functions
- Internal and external audits of activities and functions

Application controls refer to the controls over data capture and data processing including transaction entry information, file maintenance and error corrections processes. These are often procedural based and are often linked to features of accounting software programs.

Security of data and assets refers to the internal controls for the electronic and physical recording, storing and maintaining of information on data and assets as well as the safe storage of physical assets. This can include physical restrictions to access, electronic back-ups and records management.

Internal Audit

Council will ensure that sufficient and appropriate mechanisms are in place to evaluate and improve the effectiveness of its internal control practices and procedures. This will include consideration of all assurance mechanisms in place (internal and external) across the '3 lines of defence', including the use of internal audit where appropriate.

Extract: 3 lines of defence per the 'Better Practice Model – Internal Financial Controls for South Australian Councils'



The 'Better Practice Model – Internal Financial Controls for South Australian Councils' requires Councils to implement ongoing monitoring of Internal Financial Controls. To achieve this, a risk-based internal audit review of the effectiveness of council's internal financial controls will be performed on an annual basis. The Chief Executive officer and Audit committee will be informed of the outcome of each review and updated regularly on progress with action plans identified during the reviews.

External Audit

Council's External Auditors are required to provide an opinion on the effectiveness of the internal control framework in relation to financial controls under Section 129 of the Local Government Act 1999. An external audit enables the testing of internal control systems to satisfy legislation and the Council's public accountability.

4. Availability

This Procedure will be available for inspection at the Council Offices at Loxton or Waikerie during ordinary business hours at no charge.

Copies of this Procedure will also be available from Council's website: www.loxtonwaikerie.sa.gov.au or postal copies may be obtained from the Council Office free of charge.

5. Document history and version control

Date	Version	Authorisation	Amendment Details
20.09.2023	1	Council Meeting	New Policy