



AP17 – INTERNAL CONTROL POLICY

MANAGEMENT PRACTICE: N/A

DELEGATION: N/A

INTRODUCTION

This policy serves as a framework for the Shire's commitment to effective internal controls, encompassing financial and non-financial matters, to ensure efficient management and safeguarding of resources.

The implementation and maintenance of systems and processes are crucial for ongoing assessment and improvement of internal controls in alignment with ISO31000 and the Shire's Risk Management Framework.

Internal control is not limited to financial matters. An effective internal control environment provides the means by which the Shire can successfully address and mitigate any risks.

POLICY OBJECTIVE

To ensure the implementation and maintenance of robust internal controls that:

1. Fulfil statutory obligations under relevant legislation;
2. Ensure efficient, compliant, transparent, and risk-aware operations; and
3. Safeguard the Shire's assets from fraud and mismanagement.

POLICY SCOPE

This Policy, and the principles set out in this Policy, aim to:

- a) Outline the Shire's commitment to legislative compliance;
- b) Prevent, and where necessary, identify and respond to breaches of laws, regulations, codes or organisational standards occurring in the organisation;
- c) Promote a culture of compliance within the organisation; and
- d) Assist the Council in achieving the highest standards of governance.

This policy applies to all Elected Members, Executive Managers, and Employees, providing guidance for effective management and resource utilisation.

DEFINITIONS

Detective Controls: An accounting term that refers to a type of internal control intended to find problems within the Shire's processes.

Internal Control: A comprehensive process supported by policies, procedures, and practices, ensuring objectives related to operations, financial data, and compliance are achieved.

ISP documents: Integrated Strategic Planning documents comprising of the Council Plan and other plans that guide the Shire's operations.

Preventative Action: A system to eliminate any cause(s) that would create a potential hazard or undesirable situation. Changes can be made or implemented to address an issue, hazard, or weakness in a system. Preventive action can also include ways to improve an organisation's workflow or situation.

Preventative Controls: Attempt to prevent or deter undesirable acts from occurring. They are proactive controls, designed to prevent a loss, error, or omission.

POLICY STATEMENT

The purpose of internal control is to provide assurance that the internal risks faced by the Shire are minimised or contained to acceptable levels in accordance with the Risk Tables contained within the Shire's Risk Management Policy. Council ensures that the CEO is delegated responsibility for the day to-day operation and financial management of the Shire. The CEO ensures that appropriate and efficient internal controls are in place covering:

- a) Staffing and segregation of duties.
- b) Information technology.
- c) Documented procedures and processes covering the recording, reporting and authorisation of transactions.
- d) Monitoring performance and adherence; and
- e) Legislative activities.

Key Focus Areas

A comprehensive and appropriate system of internal control will include policies and procedures that provide a framework that ensures:

- Strategic Plan objectives are monitored and reported in an efficient and orderly manner.
- Reporting information is accurate and reliable to facilitate sound decision making.
- Policies and procedures are followed.
- Compliance with the relevant legislation and regulations applicable to Local Government.
- Assets are secured and protected from unauthorised use.
- Records are complete, accurate, secure and reliable; and
- Risks are identified, assessed and mitigated where possible.

Internal Control

Effective Internal Control is achieved through the following steps:

1. Establishing an Appropriate Control Environment

It is the responsibility of all Elected Members and Employees to comply with the Internal Control Policy, practices and procedures.

Elected Members and Employees will value and be aware of the importance of internal control practices and organisational structure through:

- The existence and compliance with the Codes of Conduct.
- Adherence to the Values documented in the Strategic Community Plan.
- Elected Members and Employees being appropriately trained to effectively perform their role; and
- Defined use of information technology as detailed in contracts, induction manuals, and/or the Code of Conduct.

2. Assessment of Risks

The Shire shall follow a pro-active risk management approach that includes regular review and identification of the risks that exist within the Shire's activities in accordance with the Shire's Risk Management policy.

3. Implementation of Control activities

Control activities may include:

- a) Preventative control measures such as training programs, improvement of and thorough review of contract conditions; regular review of policies and procedures, and security to avoid undesirable events from occurring.
- b) Detective control measures such as audits, review, and reconciliation processes to detect and subsequently correct undesirable events that have already occurred.
- c) Directive processes such as Business Continuity Plans, Disaster Recovery Plans, insurance, education, and disciplinary procedures to encourage continuity and mitigation of risk.

4. Monitoring and Review Activities

Management systems and internal activities need to be monitored to assess the quality of their performance over time. This may include:

- An internal audit program that reviews and monitors the Shire's activities;
- A Risk Register that is monitored with risks having a rating of catastrophic or major being reviewed on a regular basis to ensure that relevant treatment plans are implemented and work effectively;
- Regular monitoring of the objectives and activities contained within the Shire's ISP documents, to ensure desired outcomes are being achieved;
- Risk Management reviews undertaken annually by LGIS; and
- Completion of an annual Compliance Audit Return.

5. Outcomes

The following measures can be used as indicators to determine if the operating internal control environment is functioning successfully:

- Equitable, efficient and effective use of resources (people, equipment and funds);
- Minimise discrepancies, anomalies and irregularities, or prompt detection and correction if they occur;
- Assets are used only for authorised purposes and are not subject to improper removal or sale;
- All financial and non-financial data, records, databases and other material are complete and accurate, protected from loss or damage and capable of being readily accessed to continue the smooth operation of the Shire's business; and
- The nature and impact of inherent and residual risks have been identified, assessed and contained to an acceptable level.

RESPONSIBILITIES

Elected Members and Committee Members

- Council is responsible for overseeing the Internal Control Policy.

Chief Executive Officer (CEO)

- The CEO is accountable to Council for the development and implementation of appropriate systems to achieve accountability and integrity, to provide support for the development and implementation of appropriate systems and to report to the Council on internal control effectiveness. The CEO is expected to promote a best practice approach in support of effective business practices and properly functioning controls.

Employees

- Employees are responsible for conducting their duties in accordance with internal control policies, procedures and practices of the Shire. They are also responsible for reporting to Management instances where they consider that internal control procedures are inadequate or are not being met.

Relevant Legislation:	<i>Local Government Act 1995</i> <i>Local Government (Audit) Regulations 1996</i> <i>Local Government (Financial Management) Regulations 1996</i> <i>Financial Management Act 2006</i> <i>State Records Act 2000</i> <i>Local Government (Miscellaneous Provisions) Act 1960</i> <i>Planning and Development Act 2005</i>
Related Documents:	Strategic Community Plan Register of Delegations Codes of Conduct
Related Local Law:	N/A
Related Policies:	AP4 – Records Management Policy AP9 – Risk Management Governance Framework Policy
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