Internal Control

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.

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.

Scope

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

Definitions

Definitions related to this policy are in the table below.

Term	Definition
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.

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

Refer to the Shire of Toodyay (Shire) Glossary (Definitions) located on the Shire website for definitions not listed: https://www.toodyay.wa.gov.au/documents/470/corporate-documents-glossary-(definitions)

Policy Statement

The internal control policy aims to minimise or contain internal risks within acceptable levels, as outlined in the Shire's Risk Management Policy. The CEO is delegated responsibility for operational and financial management, ensuring the establishment and maintenance of effective internal controls.

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.

1. Key Focus Areas

(a) Plan for the future: ensure efficient monitoring and reporting of Council Plan objectives;

(b) Accuracy and Reliability: maintain accurate reporting to facilitate informed decision-making;

(c) Compliance: ensure adherence to relevant legislation and regulations;

(d) Asset Protection: secure assets from unauthorised use;

(e) Record Integrity: maintain complete, secure, and reliable records;

(f) Risk Mitigation: identify, assess, and mitigate risks; and

(g) Accountability and Transparency: establish strong internal controls fostering community trust and confidence.

2. Internal Control

Effective Internal Control involves:

2.1 Establishing an Appropriate Control Environment

Emphasise compliance with policies, codes of conduct, directives, procedures and values, supported by adequate training and technology usage.

2.2 Assessment of Risks

Adopt a proactive risk management approach, regularly reviewing and identifying risks in accordance with the Shire's Risk Management Framework and Risk Management Policy.

2.3 Implementation of Control activities

Implement preventative, detective, and directive control measures below.

(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.

2.4 Information and Communication

Ensuring clear communication about internal controls throughout the Shire which includes documenting procedures, staff training and keeping everyone informed about updates.

2.5 Monitoring and Review Activities

Conduct internal audits, monitor Risk Register, ISP documents, and undertake Risk Management reviews in accordance with the principles of the Shire's Risk Management Framework and Risk Management Policy.

Management systems and internal activities may also include:

(a) Risk Management reviews undertaken annually by the Local Government Insurance Scheme (LGIS); and

(b) Completion of the Compliance Calendar on a quarterly basis;

(c) Completion of the annual Compliance Audit Return.

3. Outcomes

Successful internal control implementation is indicated by:

(a) Efficient resource utilisation;

(b) Timely detection and correction of anomalies;

(c) Asset protection and authorised use;

(d) Integrity and accessibility of records; and

(e) Effective risk containment.

4. Roles and Responsibilities

4.1 Council

Council is responsible for overseeing the Internal Control Policy.

4.2 Chief Executive Officer (CEO)

The CEO is accountable to Council for developing and implementing effective systems, promoting best practices, and reporting to Council on internal control effectiveness.

4.3 Workers

Workers are responsible for adhering to internal control policies and procedures, reporting inadequacies to management.

Reference Information

- Introduction to Local Government Accounting – 4.4 Internal Control and Risk Management

- Local Government Operational Guideline No. 9 – Audit in Local Government

- Register of Delegations – Delegation CS2 Investment of Surplus Funds;

- Purchasing Policy (FIN3).

- Long-Term Financial Plan Guidelines – Integrated Planning and Reporting – Department of Local Government, Sport and Cultural Industries.

- Risk Management (ADM18).

Legislation

- *Local Government Act 1995*

- *Local Government (Financial Management) Regulations 1996.*

- *Local Government (Audit) Regulations 1996*

- *Financial Management Act 2006*

- *State Records Act 2000.*

- *Local Government (Miscellaneous Provisions) Act 1960;*

- *Planning and Development Act 2005, sections 214(2), (3) and (5).*

Associated documents

Codes of Conduct

Risk Management Policy

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