POLICY 5.31

Finance and Internal Controls

Internal Controls

Version: 3 **| Next Review:** March 2028

DISTRICT COUNCIL of TUMBY BAY

1. INTRODUCTION

Internal control forms part of the corporate governance framework of the District Council of Tumby Bay (the Council) and encompasses areas such as strategic management, business development, project management and finance. Internal control comprises policies and procedures to mitigate risks and provide reasonable assurance that operations are efficient and effective, assets are safeguarded, legislation and policies are complied with, and financial reporting is accurate and reliable.

Internal financial control will be instrumental in:

- safeguarding Council assets,
- ensuring reliability of both financial and non-financial reporting,
- complying with legislation and council policies, and
- promoting the effectiveness and operational efficiency of Council.

Internal control will not remove all financial risk but it is a means of managing risk and reducing the likelihood and consequence of adverse events. A sound system of internal financial control is essential for a council to ensure that its resources are allocated in the most appropriate manner, operational and financial objectives are being met and to facilitate compliance with the accountability provisions of the *Local Government Act 1999*.

In developing a complete risk management and corporate governance framework, firstly, the financial component of internal controls will be addressed and these are required to ensure council resources are used prudently and in an efficient, effective and economical manner. Examples of the types of activities addressed are accounts payable, payroll, budgeting, management reporting, banking, accounts receivable, property and rates, assets and contracting.

Internal financial controls are critical to effective risk management of Council's operations and to promoting the achievement of Council's objectives.

Council is committed to maintaining an effective internal control environment by developing a culture that emphasises integrity, ethical values and competence.

2. POLICY OBJECTIVE

The Policy has been prepared and adopted pursuant to section 125 of the *Local Government Act 1999* (the Act) which requires Council to ensure that appropriate policies, practices and procedures of internal control are implemented and maintained to:

2.1 ensure risks relating to the stewardship of public resources are adequately managed through effective internal controls,

2.2 implement a framework for an effective internal control system which conveys to managers that they are responsible for ensuring the internal controls are established, documented, maintained and adhered to across the Council and to all employees that they are responsible for adhering to these internal controls, and

2.3 ensure the appropriateness of transactions, information integrity, accuracy of financial reporting, compliance with regulations and the achievement of Council objectives through operational efficiency.

3. LEGISLATIVE REQUIREMENTS

As per section 125 of the *Local Government Act 1999*:

(1) A council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the council's assets, and to secure (as far as possible) the accuracy and reliability of council records.

(2) The policies, practices and procedures of internal financial control under subsection (1) must be in accordance with a standard or document (such as a model relating to financial controls) adopted by the regulations.

(3) A council must ensure that appropriate policies, systems and procedures relating to risk management are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, inform appropriate decision making, facilitate appropriate prioritisation of finite resources and promote appropriate mitigation of strategic, financial and operational risks relevant to the council.

4. RISK MANAGEMENT

4.1 Council will maintain an internal financial control system based upon a proactive risk management culture. The types of risks identified in the system will be those that may prevent Council from meeting its objectives and not maximising its opportunities.

4.2 One of the risk areas covered by Council is financial management, for which internal controls will be identified, documented and managed. It is recognised that all risks cannot be eliminated, however the internal financial controls applied should reduce the likelihood of the risk occurring to within acceptable limits of risk.

4.3 Council will develop a culture that emphasises integrity, ethical values and competence.

5. ROLES & RESPONSIBILITIES

5.1 The Council is responsible for approval of the Internal Control Policy and the Chief Executive Officer for developing and maintaining an internal control framework which ensures Council objectives are achieved efficiently and effectively. Updates on changes to the framework will be presented to the Audit and Risk Committee.

5.2 Following receipt of the Auditors Report & Statement to Council outlining the integrity of the annual financial statements and internal controls, the Chief Executive Officer and the principal member of Council must also sign the financial statements in regard to internal controls as required by regulation 14 of the Local Government (Financial Management) Regulations 2011.

5.3 The Executive Team must adopt a risk management approach to identify and assess risks and apply cost/benefit analysis in the development of internal financial controls.

5.4 Council employees must conduct their duties in accordance with internal control policies, procedures and practices of Council.

6. 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,
- annual review & assessment process (utilising Control Track software),
- liaison with auditors and legal advisors,
- senior management commitment to internal controls compliance, and
- risk identification and assessment.

7. POLICY REVIEW

This Policy will be reviewed every two (2) years.

The database of internal financial controls will be reviewed at least every twelve (12) months to ensure all controls are current and appropriate and the Executive Team together with the Audit and Risk Committee will be informed of the outcome of each review and updated regularly on progress with action plans identified during the reviews.

Council has the right to review this policy at any time, if considered desirable.

8. AVAILABILITY OF THIS POLICY

This Policy will be available for inspection at the Council's Office during ordinary business hours and via the Council's website, www.tumbybay.sa.gov.au. Copies will also be provided to the public upon request and upon payment of a fee in accordance with the Council's Schedule of Fees and Charges.

9. FURTHER INFORMATION

File reference	R26/9623
Responsibility	Deputy Chief Executive Officer
Version	4
Effective date	30/06/2026
Last revised date	13/02/2025
Minutes reference	6c/62026
Next review date	March 2028
Applicable Legislation	*Local Government Act 1999* *Local Government (Financial Management) Regulations 2011* *SALGFMG Better Practice Model – Internal Financial Controls for South Australian Councils*
Related Policies	Policy 2.24 – Risk Management
Related Procedures	Internal Control Procedures

AUTHORITY:	Adopted by Council:	08/03/2016	{Motion 6c/32016}
	Amended by Council:	12/05/2020	{Motion 3c/52020}
	Adopted by Council:	13/02/2025	{Motion 7c/22025}
	Adopted by Council:	30/06/2026	{Motion 6c/62026}

SIGNED: 

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Responsible Officer

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