



Name:	Internal Controls		
Type:	Council Policy		
Owner:	Chief Executive Officer		
Responsible Officer:	Manager Financial Services		
Approval Date:	21/06/2016	Next Review Date:	21/06/2018

1 Purpose

Internal Control is part of Council's corporate governance framework and covers areas such as strategic management, business development, project management, finance, etc. 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.

As a first step towards developing a complete risk management and corporate governance framework the financial component of internal controls will be addressed with this policy.

2 Principles

Council is committed to maintaining an effective Internal Control framework. Council will develop a culture that emphasises integrity, ethical values and competence.

Objectives of this policy are:

- Risks to the stewardship of public resources are adequately managed through effective internal controls.
- A framework for an effective internal control system which conveys to managers that they are responsible for ensuring that internal controls are established, documented, maintained and adhered to across council and to all employees that they are responsible for adhering to those internal controls.
- To ensure the propriety of transactions, information integrity, compliance with regulations and achievement of Council objectives through operational efficiency.

3 Definitions

For the purposes of this Policy, the following definitions apply:

Term	Definition

4 Policy Statement

4.1 Risk Management Approach

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. The first risk area 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 controls applied should reduce the likelihood of the risk occurring to within acceptable limits of risk.

4.2 Roles and Responsibilities

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 change to the framework will be presented to the Audit Committee.

The Senior Management Team must adopt a risk management approach to identifying and assessing risks and apply cost/benefit analysis in the development of internal controls. Council employees must conduct their duties in accordance with internal control policies, procedures and practices of Council.

4.3 Elements of 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;
- Review process e.g. internal audit;
- Liaison with auditors and legal advisors;
- Senior Management compliance assurance;
- Risk identification and assessment.

4.4 The Risk Management Process

The process followed by Council in developing the framework is based on the Australian/New Zealand Standard AS/NZ ISO 31000:2009.

Establish Goals & Context – Effective risk management requires a thorough understanding of the goals and context of Council to assist in establishing the assessment criteria for risk management.

Identify Risks – Identify the risks most likely to impact on the achievement of Council’s objectives.

Analyse Risks – Assess effectiveness of risks in terms of likelihood and consequences to identify the current risk level.

Evaluate Risks – Determine whether the risks are acceptable or unacceptable and document findings.

Treat Risks – Treat risks by one of the following methods – discontinuing activity that generates it, reducing the likelihood of occurrence, reducing consequence of occurrence, transfer the risk or retain the risk.

Consultation/Communication – These are important elements to ensure that all stakeholders understand why actions are required. These stakeholders include all staff and elected members.

Monitor/Review – Responsible officers must be identified for each internal control and provide feedback to managers on progress with controls. The managers monitor the effectiveness of risk treatment and report progress to Senior Management Team and the Audit Committee at regular intervals.

5 Associated Documents

- 5.1 City of Palmerston Policies
- 5.2 City of Palmerston Internal Control Framework
- 5.3 City of Palmerston Procedures

6 References and Related Legislation

- 6.1 Northern Territory Local Government Act
- 6.2 Northern Territory Local Government (Administration) Regulations
- 6.3 Northern Territory Local Government (Accounting) Regulations
- 6.4 Australian Accounting Standards
- 6.5 Ministerial Guidelines
- 6.6 Local Government General Instructions