

FINANCIAL – INTERNAL CONTROL POLICY	
Statutory Policy	
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1. POLICY STATEMENT

- 1.1 The system of internal control is the plan of the Organisation and all methods and procedures adopted by management to assist in achieving a Council's objective of ensuring as far as practicable, the orderly and efficient conduct of its business, including the adherence to management policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of accounting records, and the timely preparation of reliable financial information.

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

Internal controls are policies and procedures that a Council has established to provide reasonable assurance that its objectives will be achieved.

2. PURPOSE

2.1 Purpose

To provide clear guidelines to staff in relation to all aspects of financial accounting within the organisation.

2.2 Scope

This document deals specifically with accounting controls rather than broader organisational controls.

The objectives of accounting controls are the safeguarding of assets and the production of reliable financial information.

The general characteristic of a satisfactory system of accounting internal control includes:

- Segregation of functional responsibilities;
- A system of authorisation, recording and procedures adequate to provide accounting control of assets, liabilities, revenues and expenses;
- Sound practices in the performance of duties and functions by each of a Council's departments; and
- Procedures to ensure that persons have capabilities commensurate with responsibilities.

All internal control systems should incorporate these essential characteristics however the methods by which they are implemented will vary between Councils depending on the types of assets involved and the nature and complexity of a Council's operations. For example Port Augusta City Council does not have the necessary staff resources to fully implement some internal control procedures particularly in the area of segregation of functional responsibilities.

2.3 Definitions

Internal Financial Control: The process that assists the Council in addressing the risk of fraud and error, improves the reliability of financial reporting and compliance with laws, regulations and policies.

Management: Includes the CEO, Directors, and Managers within the Council.

Employees: Includes persons employed by the Council, trainees, work experience placements, independent consultants and contractors and other authorised personnel offered access to the Council's resources.

2.4 Strategic Reference

5 Governance and Financial Sustainability

5.5 We meet or exceed legislative and accreditation requirements for all relevant programs.

3. PRINCIPLES

3.1 GENERAL CONTROLS

a) General Controls comprise:

Segregation of Duties

One of the prime means of control is the separation of those responsibilities or duties which would, if combined, enable one individual to record and process a complete transaction. Segregation reduces the risk of intentional manipulation and error and increases the element of verification. In particular the functions of authorisation, execution, custody and recording should be separated.

Supervision

Any system of internal control should include the supervision by responsible officials of day-to-day transactions and recording thereof.

Systems Development, Implementation and Maintenance

Systems development and maintenance controls are required to ensure that effective application controls are included in all new systems and the integrity of those application controls is preserved after the system has been implemented.

b) Application Controls

Application controls are controls over the capture and processing of accounting information. These controls are only effective if appropriate general controls are in place. Application controls include:

Data Capture Controls

Data Capture Controls ensure the complete, valid and accurate capture of data by a Council's accounting system.

Data Processing Controls

Data Processing Controls maintain the integrity and accuracy of items as they are processed through accounting systems. They ensure data is not lost or corrupted at any of the points at which it is created, processed or transferred.

c) Security of Data

Controls should exist to ensure that once data is created, processed and recorded it remains correct until deleted or amended by authorised processing.

In evaluating the organisational structure of a Council, consideration should be given as to whether that structure is conducive to effective control and whether individual employees are aware of their authority and responsibilities. The following conditions are essential in creating this environment:

- i. the corporate organisation is appropriate for the size and scope of Council activities;
- ii. senior management is subject to effective review by the Council;

- iii. published organisational charts show reporting lines and responsibilities;
- iv. authority levels and responsibilities are delineated in written job descriptions. All transactions should require authorisation or approval by an appropriate responsible person. The limits for these responsibilities should be specified;
- v. important policies and procedures are effectively communicated to appropriate staff levels and set out in procedural manuals;
- vi. job performance is periodically evaluated and reviewed with each employee.

It is not always possible to implement some internal control procedures due to the number of staff resources available and their skill base. This particularly applies where a process requires duties to be segregated. In these cases other controls need to be implemented to ensure the integrity of a transaction set.

3.2 RECEIPTING

- a) A receipt shall be issued for all monies received, noting the amount of cash, cheque or electronic funds transfer.
- b) All cheques received by Council shall be crossed "NOT NEGOTIABLE CREDIT CITY OF PORT AUGUSTA GENERAL ACCOUNT COMMONWEALTH BANK PORT AUGUSTA".
- c) Every voided receipt must be accompanied by a Voided Receipt Authorisation form with a copy of the cancelled receipt, and retained in Voided Receipts folder. Voided receipts will be audited by Finance staff on a quarterly basis.
- d) Cash and cheques received and not banked must be secured in the Council site's safe.
- e) Council sites utilising a different point of sale system must process a daily receipt into Authority no more than one working day after it is received.
- f) Council sites not utilising a different point of sale system, must lodge their receipting with the Civic Centre cashier no more than one working day after it is received where an Authority receipt will be issued.

3.3 BANKING

- 3.3.1** Banking for Council sites is collected and delivered to the bank by Council's contracted Security Company, to ensure cash security. All sites must complete the Banking Sign Out sheet to check and sign out the banking to the Security Company, and then verify the amount on the returned Bank Receipt.

The following sites will bank daily:

- a) Civic Centre, Wadlata Outback Centre, Australian Arid Lands Botanic Garden, Port Augusta Public Library, Ryan Mitchell Swim Centre, Central Oval, Childcare Centre.

The following sites will bank as required via the Civic Centre:

- b) Mens Shed & Health Focus

- 3.3.2** A staff member may attend the bank if change or petty cash is required, only if:

- a) The Security Company is unavailable; and
- b) The cash being transported is a small amount; and
- c) The staff member takes another staff member or advises someone of their whereabouts; and
- d) It is safe to do so.

3.3.3 Controls

- a) Cheques received by mail must be processed independently of the worker opening the mail and must be receipted daily.
- b) Cashier balances and floats shall be counted daily and reconciled against receipt totals. This process will, where possible, be conducted by a worker who has taken no part in the issue of receipts.

3.4 ELECTRONIC DOWNLOADS

3.4.1 All of the following electronic payments are to be downloaded daily

- a) Australia Post
- b) BPay
- c) Centrepay
- d) Bpoint
- e) Eservices

All reports are to be saved electronically.

The Accountant will perform a reconciliation of the source report to Authority listing and bank account.

3.5 PURCHASING & PROCUREMENT

3.5.1 Processing

Procurement of goods and services will be made in accordance with Council's Procurement Policy. Goods and services shall be obtained by use of a Council Purchase Order except in certain circumstances outlined in Council's Procurement Policy.

All Council Purchase Orders shall be pre-numbered consecutively in triplicate and stocks of unused Council Purchase Orders shall be listed in a register under the control of the Finance Officer.

Persons authorised to sign and issue orders on Council's behalf are listed in Council's Sub Delegations Register.

Purchases made on Council Credit Cards must be made following Council's Corporate Credit Card Policy.

3.5.2 Controls

The authority to sign and issue a Purchase Order on Council's behalf is in itself a control mechanism. Delegated authority occurs when an officer signs and issues Purchase Orders under control of a more senior officer who is responsible for the program concerned. Responsibility for an expenditure budget will be the general guideline in determining authority to sign orders, and cost expenditure for goods or services received.

Purchase orders shall include the following details:-

- Supplier Name
- Details of goods ordered and quantities
- Agreed prices where available or an approximate price
- Work Order Number
- Contractor's Declaration
- Approval by Delegated Authority

When an invoice is received:

- a) it is to be scanned and saved into Council's Electronic Document Records Management System.
- b) Delivery dockets and invoices will be matched to the purchase order copy held in the purchase order book promptly to ensure the goods received are those ordered. Unmatched documentation should be queried with the supplier.
- c) On receipt of goods, the invoice is to be signed as evidence of the receipt of the goods and to confirm the goods have been received in good condition.
- d) Additions, extensions and prices are to be evidenced to be correct.
- e) Work Order allocations are to be made.
- f) Invoices are then be forwarded to the Accounts Payable Officer for processing.

3.6 ACCOUNTS PAYABLE

3.6.1 Processing

Prior to processing invoices the following will be checked:

- a) The purchase order pink copy is attached if required and all certifications for receipt of goods is evidenced.
- b) Authorisation by an appropriate delegated officer for payment of the invoice is evidenced on the invoice or on an attached payment requisition.
- c) Work Order allocations have been completed fully.

Where possible, payment will be made on the monthly statement. Supplier statements will be reconciled to invoices received for that supplier.

Payments for cheques or electronic funds transfer, other than by invoice, will be by payment requisition fully certified for goods received and payment authority. Original material evidence must be attached to the requisition. Copies of material evidence will only be allowed if originals are unavailable.

Cheques and electronic funds transfers will be processed as required.

After cheques and electronic fund transfers have been processed supporting documentation will be stamped "PAID".

All cheques will be signed by two cheque signatories, who will review supporting evidence.

All evidence relating to cancelled cheques is to be authorised and saved into Council's Electronic Document Records Management System

The EFT Batch Authorisation Form must be signed by two signatories, who will review supporting evidence.

The EFT payment listing, EFT Batch Authorisation Form, and bank payment submission reports are to be scanned and saved into Council's Electronic Document Records Management System.

Two authorised officers must approve EFT payments through Council's Online Banking in accordance with the Bank Signatories Policy.

The bank payment submission report is to be printed, reviewed and filed.

3.6.2 Controls

- a) The Creditors control account will be reconciled monthly to the creditors ledger, with any discrepancies promptly resolved. The reconciliation is to be reviewed by either the Accountant, Finance Manager or Director of Corporate and Community Services.
- b) Creditors ledger balances will be regularly reviewed and unusual items such as debit balances investigated.
- c) Where possible the following functions are independent of each other:-
 - i) Certification of goods received will be made by an officer other than the officer issuing the order.
 - ii) Invoice processing will be independent of invoice authorisation
 - iii) Cheque and electronic funds transfer signatories will be independent of invoice and cheque processing.
- d) Blank cheques to be stored in a secure and locked location.
- e) An audit trail of all changes to the accounts payable system will be reviewed by the Accountant on a monthly basis. A sample of changes will be checked against source documentation.
- f) Access to the accounts payable system will be restricted to appropriately designated personnel, and access rights will be reviewed by the Finance Officer on a quarterly basis.

3.7 ACCOUNTS RECEIVABLE

3.7.1 Process

- a) Where appropriate, Council fees and charges will be raised by invoice.
- b) Records and supporting documentation will be maintained for all invoices raised, detailing work undertaken or services provided.
- c) All officers have authority to request invoices, however their Manager must approve the request.

An authorisation to raise an invoice must be provided to the Accounts Receivable Officer with a copy of all supporting documentation.

Work Order allocations should be provided by the authorising officer and checked by the Accounts Receivable Officer.

3.7.2 Controls

- a) Invoices will be numbered sequentially and issued strictly in order.
- b) Cancelled invoices (credit notes) will be retained and kept in order.
- c) Debtors control account will be reconciled monthly to the debtors ledger, with any discrepancies promptly resolved. The reconciliation is to be reviewed by either the Finance Officer, Accountant, Finance Manager or Director of Corporate & Community Services.
- d) Debtors ledger balances will be regularly reviewed and unusual items such as credit balances investigated.
- e) A monthly check will be made for aged debtors and details provided to the Accountant.

- f) An audit trail of all changes to the accounts receivable system will be reviewed by the Accountant on a monthly basis. A sample of changes will be checked against source documentation.
- g) Access to the accounts receivable system will be restricted to appropriately designated personnel, and access rights will be reviewed by the Finance Officer on a quarterly basis.

3.7.3 Internal Invoices

An Internal Invoice Request Form is to be used for invoicing between Council departments. A delegated authority from both departments must authorise the request and provide the applicable Work Order number for the revenue/expense.

The Accountant will action the request via a General Journal.

3.8 PAYROLL

3.8.1 Processing

Employee files will be maintained for all employees. The file will include:

- a) Employment and personal details and classification.
- b) Details of salary arrangements / contract of employment.
- c) Authorisation for payroll deductions.
- d) All leave history.
- e) Taxation details.
- f) Superannuation details
- g) Pay rate variations.

All staff must submit a time sheet as follows:

- a) Daily time sheets for Works/Parks and Gardens Staff.
- b) Fortnightly timesheets for all other staff.

These time sheets must be signed by the employee and certified by the appropriate supervisor at each work site.

Council is presently transitioning to an online timesheet system (ElementTIME)

All employees are to apply for leave in accordance with Council's Leave Policy.

3.8.2 Controls

- a) Payroll calculations are automatically generated by the Authority system.
- b) No adjustments will be made to employee records i.e. names, addresses, deduction details without the written authorisation from the employee.
- c) No employee information will be made available to any person other than garnishee orders from Government Departments, Directors and Line Managers.
- d) No adjustments will be made to salary or wage rates without authorisation, in writing, by the line manager of the program concerned, Human Resources or the Director Corporate & Community Services.
- e) All overtime worked will be authorised by the line manager of the program.

- f) Termination calculations are prepared by the Payroll Officer and reviewed by the Finance Manager.
- g) A reconciliation of all payroll related control accounts will be conducted fortnightly to ensure integrity of the transaction sets.
- h) Reports of timesheet entry, payroll calculation, superannuation, workers compensation payment, deduction processing and bank draft transfer will be properly maintained for perusal by Council's Auditor.
- i) EFT payments are to be authorised by two signatories, who will review supporting evidence.
- j) An audit trail of all changes to the payroll system will be reviewed by the Accountant on a monthly basis. A sample of changes will be checked against source documentation.
- k) Access to the payroll system will be restricted to appropriately designated personnel, and access rights will be reviewed by the Finance Officer on a quarterly basis.

3.9 GENERAL LEDGER

3.9.1 Process

- a) All officers have authority to request journals, however their Manager must approve the request.
- b) All posted journals will be marked clearly as posted.
- c) Journals and supporting documentation will be authorised, and saved into Council's Electronic Document Records Management System on a monthly basis.

3.9.2 Controls

- a) The following officers are authorised to process a General Journal:
 - i) Director of Corporate & Community Services
 - ii) Accountant
 - iii) Finance Officer - Accounts Payable
 - iv) Finance Manager
 - v) Finance Officer - Payroll and Accounts Receivable
 - vi) Finance Project Officer
- b) Journals must be certified by an independent reviewer from the list above.
- c) Control account, clearing accounts and suspense accounts will be reconciled monthly.
- d) Management reports will be prepared monthly and reviewed by Executive Management. Variances to budget will be promptly investigated.
- e) A budget review will be presented to Council at least once per quarter.
- f) All amendments to the chart of accounts will be recorded, and authorised by the Accountant.
- g) Access to General Ledger Maintenance will be restricted to appropriately designated personnel, and access rights will be reviewed by the Director Corporate and Community Services on a quarterly basis.
- h) a Journal Register will be maintained and will be saved into Council's Electronic Document Records Management System on a monthly basis.

3.10 LOAN REGISTER

3.10.1 Process

A register of all loans will be retained and will include the following details:

- a) The number of the loan
- b) The lending Institution
- c) The repayment schedule of the loan
- d) The purpose for which the loan was taken
- e) The date of the loan
- f) The interest rate of the loan
- g) The term of the loan
- h) The date on which the loan will be redeemed

3.10.2 Controls

- a) Balances held within the general ledger will be reconciled to balances outlined in the loan register.
- b) Balances for loans to sporting and community bodies will be reconciled regularly against balances held within the loan register.

3.11 INVESTMENTS REGISTER

3.11.1 Process

A register of all investments will be kept and will include the following details:

- a) The Institution where invested
- b) The date of the investment
- c) The interest rate for the investment
- d) The term of the investment
- e) The date on which the investment will mature

3.11.2 Controls

- a) Balances held within the general ledger will be reconciled to balances outlined in the investment register.
- b) Interest will be accounted for monthly.
- c) Comparative quotations for investment funds will be obtained on a regular basis.
- d) An annual review will be undertaken for investment funds as per Treasury Management Policy.

3.12 RATES & PROPERTY

3.12.1 Process

- a) All annual declared rate and service charges are in accordance with the rate declaration and resolution of Council.

- b) Declared rates and charges will be published in the Government Gazette and Transcontinental Newspaper in accordance with the Local Government Act.
- c) Valuation supplementary advices will be processed promptly.
- d) Changes to the name and address register will occur promptly.
- e) A trial balance of the rates ledger will be reconciled against the general ledger control account on a daily basis.
- f) The Debt Collection process will be performed at least quarterly.
- g) Mandatory and discretionary rebates are reviewed by Council.

3.12.2 Controls

- a) Rates are automatically generated by the Authority system.
- b) The rates system calculation will be checked to the rates modelling and a manual calculation performed for a sample of rates assessments by the Finance Manager.
- c) A listing of exempt properties will be reviewed and certified by the Finance Manager and Director Corporate and Community Services each year.
- d) An audit trail of all changes to the rates system will be reviewed by the Accountant or Finance Manager on a quarterly basis. A sample of changes will be checked against source documentation.
- e) Access to the rates system will be restricted to appropriately designated personnel, and access rights will be reviewed by the Finance Officer on a quarterly basis.
- f) Changes to the rates levy parameters will be authorised by the Director Corporate and Community Services.
- g) The total of site/capital value held on the rate system will be reconciled with the Valuation supplementary advice immediately prior to the rate declaration.
- h) Prior to printing authorisation of each batch of quarterly notices, sample rates notices will be randomly checked to ensure accuracy of differential rates applied, land use and locality, service charges levied, name/s of principal ratepayers and property details.
- i) Application for rate rebates will be in accordance with the Rate Rebate Policy.
- j) Each financial year, a schedule will be compiled of rate debts exceeding 3 years in arrears, to enable consideration for sale of land for non-payment of rates.

3.13 STORES & INVENTORIES

3.13.1 Process

- a) Where possible, materials purchased for operational tasks will be allocated directly to a specific work order and not into stock.
- b) All issues of stores for operational purposes will be recorded and details costed to an appropriate work order. On a monthly basis all details of stock issued will be posted to the general ledger and project ledger.
- c) All Depot stores will be issued by the Depot Storeman or an officer appointed by the Director Infrastructure to act on his behalf.
- d) Issues will be monitored to ensure the timely ordering of replacement stores and stores levels of specific items are appropriate.

3.13.2 Controls

- a) Stock takes will be carried out annually.
- b) Stock sheets will be sequentially numbered and accounted for at end of stock take.
- c) Valuation of stores will be on a last in first out basis.
- d) Obsolete or damaged stores will be written off each stock take.

3.14 MERCHANDISE

3.14.1 Process

- a) All merchandise purchases placed on display will have clearly marked price tags
- b) Merchandise pricing will be in accordance with recommended retail pricing and mark up.

3.14.2 Controls

- a) Stock takes will be carried out quarterly.
- b) Stock sheets will be sequentially numbered and accounted for at end of stock take.
- c) Valuation of merchandise will be on a last in first out basis.
- d) Obsolete or damaged stores will be written off during each stock take

3.15 BANK RECONCILIATION

3.15.1 Process

- a) A reconciliation of the general bank account will be performed monthly by the Accountant.

3.15.2 Controls

- a) Bank reconciliations will be reviewed by the Finance Manager.
- b) Access to the bank reconciliation system will be restricted to appropriately designated personnel, and access rights will be reviewed by the Finance Officer on a quarterly basis.

3.16 CASH TAKING

3.16.1 Process

- a) Cash taking processes by various departments will be in line with the Management - Internal Control Cash Receipting/Robbery Procedure.

3.16.2 Controls

- a) Strict cash handling and security processes are to be followed at all times.

3.17 FINANCIAL INCIDENT

3.17.1 Process

If there is a variance in receipting or banking of over or under 10% or \$200 (whichever is the greater) of daily receipting which cannot be explained this is considered an incident and the following steps are required to be undertaken:

- a) Advise Finance Manager immediately (if unavailable ensure Director - Corporate & Community Services is advised)
- b) Cross reference manual and electronic receipts
- c) Financial Incident Forms to be completed by staff involved
- d) Financial Incident Investigation Form to be completed by the Manager
- e) Policies and procedures reviewed and amended/implemented if required
- f) Incident reported to WHS/Risk Officer and Audit Committee

4. RESPONSIBILITY & REVIEW

4.1 Responsible Officer

Director Corporate & Community Services

All workers are to ensure financial processes are undertaken in accordance with Policy.

4.2 Availability

This policy will be available on Council's website.

4.3 Review

Reviewed every 12 months in line with annual audit process.

Council's Auditor will review document annually.

5. REFERENCES

5.1 Legislation

Section 125, 126 & 130 Local Government Act 1999

5.2 Other References

Financial Incident Form (AR16/48566)
 Financial Incident Investigation Form (AR16/48567)
 Fraud and Corruption Prevention Policy
 Statutory Code of Conduct - Council Employees
 Public Interest Disclosure Policy
 Information and Communication Technology General Security Policy