



## **I. INTRODUCTION**

Internal control is part of the Legatus Group ('LG') 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 LG 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 and these are required to ensure LG's resources are used prudently and in an efficient, effective and economical manner. Examples of the types of activities addressed are accounts payable, payroll, budgeting, banking, contracting and management reporting. Financial internal controls are critical to effective risk management of LG's operations and promote the achievement of its goals and objectives.

LG is committed to maintaining an effective Internal Control environment.

## **2. OBJECTIVES OF THIS POLICY**

LG's objectives of this Policy are:

- a) Risks relating to the stewardship of public resources are adequately managed through effective internal controls.
- b) A framework for an effective internal control system which conveys to LG all employees that they are responsible for adhering to those internal controls.

- c) To ensure the propriety of transactions, information integrity, compliance with regulations and achievement of LG objectives through operational efficiency.

### **3. DEFINITIONS**

**LG Staff** – includes persons employed by LG, volunteers, trainees, work experience placements, independent consultants and contractors and other authorised personnel offered access to the LG's resources.

### **4. POLICY STATEMENTS**

#### **4.1 Risk Management Approach**

LG will maintain an internal control framework, which will be based upon a pro- active risk management culture. The types of risks identified in the framework will be those which may prevent LG from meeting its objectives or not maximising its opportunities. The first risk area covered by LG 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.

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

#### **4.2 Roles and Responsibilities**

LG is responsible for approval of the Internal Control Policy and the Chief Executive Officer for developing and maintaining an internal control framework, which ensures LG objectives are achieved efficiently and effectively.

The Chief Executive Officer and Chairperson of LG must also sign the financial statements in regard to internal controls as required by Local Government (Financial Management) Regulations 2011, Regulation 14.

The CEO must adopt a risk management approach to identifying and assessing risks and apply cost/benefit analysis in the development of internal controls.

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

### 4.3 Elements of an Internal Control Framework

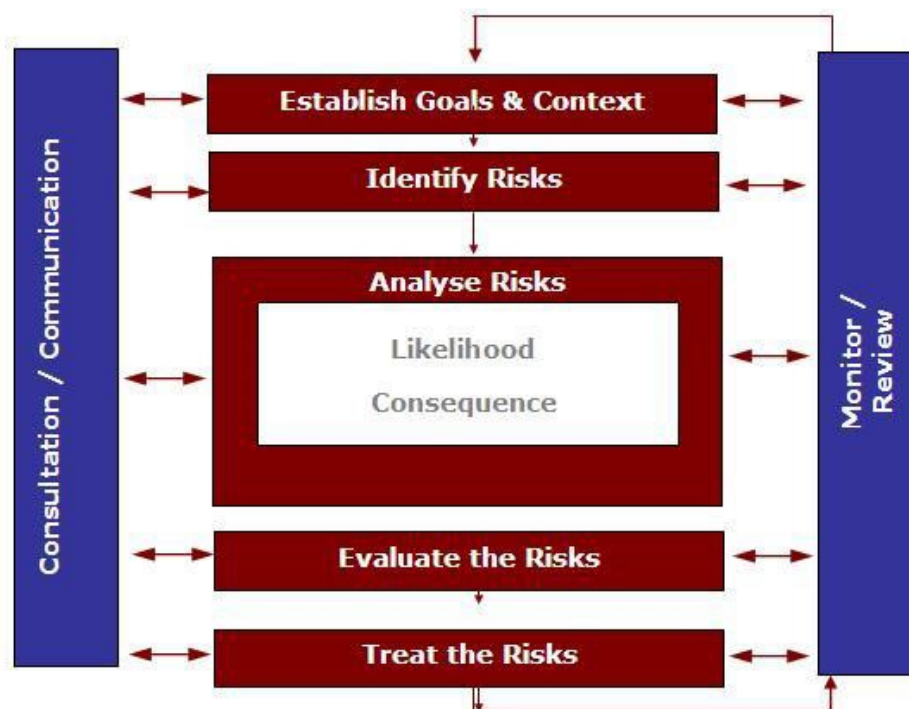
The essential elements of an effective internal control framework are:

- Structure and culture of LG;
- 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 LG in developing the framework appears below in diagrammatic form extracted from Australian/New Zealand Standard AS/NZS ISO 31000:2009

#### The Risk Management Process



AS/NZS ISO 31000:2009

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

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

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

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

**Treat Risks** – Treat risks by one of the following methods - discontinuing activity that generates it, reducing 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.

## **5. SUPPORT WITH DEVELOPMENT OF A RISK MANAGEMENT SYSTEM**

To assist in the development of a risk management system the Local Government Association website will be reviewed to identify the current recommended risk management database of internal controls and supporting documentation.

## **6. RECORDS MANAGEMENT**

All records shall be kept and disposed of in accordance with LG's Records Management Policy & Procedure.

Signature:



Date: 12 June 2020

*Chief Executive Officer*

If a conflict exists with any law in Australia, then the provisions of the law in Australia will prevail to the extent of the conflict.

## **7. LEGISLATION**

*Local Government Act 1999 - Sections 125, 126, 129 & 130*

*Local Government (Accountability Framework) Amendment Act 2009 –Schedule 1 cl. 2.*

*Local Government (Financial Management) Regulations 2011 r14 (e)*

*Related LG Policies and Corporate Documents.*

*Australian/New Zealand Standard AS/NZS ISO 31000:2009*

## **8. AVAILABILITY & GRIEVANCES**

This policy is available for inspection at the Legatus Group office at 155 Main North Road, Clare during ordinary business hours.

It is also available for inspection, download or printing, free of charge, from the Legatus Group's website at [www.legatusgroup.sa.gov.au](http://www.legatusgroup.sa.gov.au)

Any grievances in relation to this policy or its application should be forwarded in writing addressed to the Chief Executive Officer, Legatus Group, PO Box 419, Clare, SA 5453.

## 9. REVIEW

This Legatus Group Policy shall be reviewed by the Legatus Group within (4) years of the issued date.

Date	Revision Number	Reason for Amendment
5 June 2020	1	No amendment