

	<b>INTERNAL CONTROL POLICY AND PROCEDURE</b>	<b>Version No:</b>	<b>4.1</b>
		<b>Issued:</b>	<b>9 May 2018</b>
		<b>Next Review:</b>	<b>9 May 2021</b>

## 1. **MONIES RECEIVED**

- 1.01 A receipt shall be issued for all monies received by the Council. The receipt shall indicate mode of payment eg cheque, cash, EFTPOS.
- 1.02 The Chief Executive Officer shall cause all cheques received by Council to be crossed "NOT NEGOTIABLE".
- 1.03 The original of every cancelled receipt shall be retained and attached to the hardcopy of the receipts for that day.
- 1.04 Details of each receipt shall be retained for the period prescribed by the State Records Act, 1977.
- 1.05 A cash float is issued for use as change for monies received – amount \$300.00

## 2. **BANKING OF MONIES RECEIVED**

- 2.01 Monies received by an Officer or employee of Council must be paid into a Council bank account.
- 2.02 Monies received by the Council will be banked once a week.
- 2.03 The monies banked must be reconciled with the monies received.
- 2.04 Detailed records of Council's banking activities must be kept.
- 2.05 During peak periods banking will be carried out at least twice a week to ensure that cash held on premises is limited.
- 2.06 Cash and cheques received and not banked must be secured in Council's strongroom, or other approved safe custody which is both approved by and insured by Council's insurers.

## 3. **USE OF CREDIT CARDS**

- 3.01 The Chief Executive Officer, Manager Corporate Services and Works Manager maintain Council owned credit cards.
- 3.02 The Credit Card recipient must comply with the conditions of use as set out in the "Credit Card Agreement" and the "Acknowledgement by Cardholders" must be signed before the card is issued.
- 3.03 The cardholder will not permit use of the card by another person except for work related expenses.
- 3.04 Expenditure on credit cards will be limited to the maximum credit balance approved.
- 3.05 The use of a credit card for cash withdrawals is prohibited.
- 3.06 Credit card transactions will be supported by a GST invoice stating the type of goods purchased, the amount of goods and the price paid. The receipt shall meet

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the requirements of the Goods and Services Tax Act 1999 to enable a GST rebate to be applied.

- 3.07 On receipt of the credit card statement - a reconciliation must be completed and signed by the cardholder stating all expenditure is of a business nature. The receipts, statement and reconciliation are then provided to the Chief Executive Officer for approval.
- 3.08 Where a credit card is lost or stolen, the cardholder must immediately report to the bank for cancellation.
- 3.09 Any staff member who does not comply with the conditions of use, will have the cards withdrawn and may be subject to disciplinary action.
- 3.10 The cardholder must return the card should they cease to be an employee of the District Council of Franklin Harbour or, when so directed by the Chief Executive Officer.

#### 4 **PURCHASING PROCEDURES**

REFER TO PURCHASING/TENDERING/CONTRACTING POLICY

#### 5 **QUOTATIONS AND TENDERS**

REFER TO PURCHASING/TENDERING/CONTRACTING POLICY

#### 6 **ACCOUNTS FOR PAYMENT & DISBURSEMENTS**

- 6.01 All disbursements over one hundred (100) dollars shall be by cheque or direct credit transaction.
- 6.02 All invoices, together with the copy of the Council Order, goods received notification packing notes and cartnotes, are to be passed on to the Accounts Officer without delay for allocation of account numbers. The invoices will be held for processing and payment.
- 6.03 Every second Thursday the Accounts Officer peruses all outstanding invoices and identifies which payments are to be made that week.
- 6.04 All payments are processed on Friday of each second week and verified by the Chief Executive Officer or the Manager of Corporate Services.
- 6.05 All other monthly invoices are to be processed prior to the monthly Council meeting and verified by the Chief Executive Officer or the Manager of Corporate Services.
- 6.06 A cheque or direct credit transaction shall only be prepared when:
  - An invoice/statement has been presented, which describes the goods or services supplied.

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- The invoice/statement has been checked by a responsible officer that the goods or services have been received in accordance with the relevant official order
- The prices charged are fair and reasonable
- The calculations and additions are correct
- The invoice/statement has not been previously paid

6.07 Each invoice/statement shall be coded ready for payment with the following information:

- Cost account number and, total for each cost account
- Total amount of the payment
- Initials of Officer authorising payment

6.08 A cheque or direct credit transaction shall be prepared from the information contained on the invoice.

6.09 The cheque or direct credit transaction, together with the supporting documentation shall be presented to the Authorised Signing Officer/s for signature.

6.10 Unused cheques shall be in the custody of the Accounts Payable Officer.

6.11 Documentation regarding disbursements shall be retained for the period set down prescribed by the State Records Act, 1997.

6.12 All cheques shall be signed by two people.

6.13 All documentation including orders and statements shall be stamped 'PAID' immediately after the relevant cheque has been signed.

6.14 The Chief Executive Officer shall cause to be prepared a list of all payments made from Council's operating bank account each month. The list shall contain:

- Payee
- Payment No.
- Amount
- Brief description of payment

6.15 The cheque and direct credit transactions payment list for the month shall be provided to the Elected Members at the following Council Meeting for information.

## **7 SALARY AND WAGES**

7.01 The Chief Executive Officer shall cause to be maintained a record of all employees and in respect of each employee the gross salary, taxation and all itemised payments and deductions, hours of work and rate of pay, sick, annual,

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long service and other leave available and taken, Superannuation, and Salary Sacrifice/Packaging.

7.02 All rates of pay shall be in accordance with an Award to which the Council is a party; or to an agreement which has been approved by the Council.

7.03 All salaries and wages paid shall be generated by a timecard which shall be:

- Signed by the employee
- Counter signed by the Chief Executive Officer or relevant Manager/Supervisor.

7.04 All salaries and wages shall be credited to a private bank account nominated by each employee.

## 8 **BANK ACCOUNTS**

8.01 Bank accounts will be operated exclusively for the purpose of conducting Council business.

8.02 Council shall operate Business Bank Accounts with BankSA, Cowell Branch.

8.03 Council shall operate Trading Investment Accounts and Trading Advance Accounts with the Local Government Finance Authority of South Australia.

8.04 Council shall approve the establishment and closure of every Bank Account.

8.05 Two authorised bank signatories are required to authorise disbursements from the Business Bank accounts.

8.06 The Chief Executive Officer shall cause to be prepared a Bank Reconciliation Statement for every Bank Account each month. The Bank Reconciliation Statements shall be provided to Elected Members at the following meeting of the Council.

## 9 **INVESTMENTS**

9.01 The Local Government Act, 1999 specifies:

9.01.01 Council must avoid investments that are speculative (Section 139)

9.01.02 Council is permitted to obtain independent and impartial advice concerning investment and/or the management of investments (Section 139)

9.01.03 Council must review the performance of their investments at least annually (Section 140)

9.01.04 Council must not directly acquire shares in a company. Council's are not however, precluded from investing money in managed funds which invest shares (Section 47)

9.01.05 Council employees will be protected from civil liability for an honest act, or omission, in the exercise of their duties (Section 121)

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9.02 Investment of Council's surplus funds will be with the Local Government Finance Authority unless determined otherwise by Council resolution.

9.03 Investment performance will be reviewed at the end of each financial year and will be reported to Council.

9.04 For further details refer to Section 3.3 and 3.4 of the Treasury Management Policy.

## 10 **LOANS**

10.01 New loans shall be authorised by resolution of Council.

10.02 Loans raised by Council will be separately accounted for and be identifiable in the accounting records.

10.03 A register of loans raised by Council will be maintained by the Manager Corporate Services.

10.04 The register shall record:

- The number of the loan
- The lending institution
- The repayment schedule of the loan
- The purpose for which the loan was taken
- The date of the loan
- The interest rate of the loan
- The term of the loan
- The date on which the loan will be redeemed

10.05 Borrowings will be through the Local Government Finance Authority of South Australia by way of debenture loans unless separately determined by Council.

10.06 For further details refer to Section 3.2 of the Treasury Management Policy.

## 11 **PETTY CASH**

11.01 The Chief Executive Officer will cause petty cash accounts to be maintained for the purchase of small items of goods and services for the Council.

11.02 All petty cash accounts shall be maintained on the imprest system.

11.03 Every petty cash transaction shall be recorded and supported by docketts or vouchers.

11.04 The recipient of the Petty Cash will be required to sign a petty cash docket and provide supporting documentation when claiming.

11.05 The Petty Cash advance shall be reconciled at least monthly.

11.06 An audit of petty cash floats will be undertaken at least annually.

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11.07 The following Petty Cash Advance is provided

**Council Administration – Petty Cash \$300.00**

**12 FRINGE BENEFITS TAX**

12.01 Fringe Benefits Tax (FBT) is paid on benefits in place of, or in addition to salary or wages of employees.

12.02 Fringe benefits provided are also required to be reported on employees PAYG payment summaries. As the FBT year is not aligned with the Financial year, the benefits reported on payment summaries are for the preceding FBT year, which runs from 1<sup>st</sup> April – 31<sup>st</sup> March.

12.03 Council will comply with FBT legislative requirements.

**13 GOODS AND SERVICES TAX (GST)**

13.01 The Goods and Services Tax (GST) is a broad-based consumption tax of 10 percent (10%) on most supplies of goods and services consumed in Australia.

13.02 The District Council of Franklin Harbour is a registered organisation for the purposes of GST, therefore GST is payable on goods and services Council sells or supplies to others in the course of business. These supplies are called taxable supplies.

13.03 There are other types of supplies where GST does not have to be included in the price. These are called input taxed supplies and GST free supplies.

13.04 Certain taxes, fees and charges are also exempt from GST. These are outlined in the Division 81 Fees and Charges Determination by the Commonwealth Treasurer. Local Government has certain fees and charges, such as rates, that fall under the Division 81 listing of GST exempt fees and charges.

13.05 All invoices for Council supplies must be a complying Tax Invoice.

13.06 Monthly remittances of GST received and paid will be submitted on Councils Business Activity Statement (BAS). The BAS is used by Council to report its GST related obligations and will be submitted by the 21<sup>st</sup> day of each month.

**14 STORES AND MATERIALS**

14.01 Stores and materials purchased may be debited direct to the works or services on which they are used.

14.02 Suspense stores accounts shall be maintained so as to records all receipts and issues of the stores and materials not directly debited to works and services.

14.03 Not less than once in every financial year, the Chief Executive Officer will cause the stock in hand of all stores and materials to be checked by physical count and to be reconciled with the records of the suspense stock on hand.

14.04 All stores and materials will cause to be maintained a record of all loose tools which are not directly debited to works and services.

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## 15 LOOSE TOOLS

15.01 The Chief Executive Officer will cause to be maintained a record of all loose tools which are not directly debited to works and services.

15.02 The Loose Tools Register shall contain the following information:

- Item No./Description
- Written Down Value

15.03 Not less than once in every financial year the Chief Executive Officer will cause the register of all loose tools to be checked by physical count and reconciled with the record of the Loose Register.

## 16 MINOR PLANT

16.01 The Chief Executive Officer shall cause to be maintained a Register of all minor plant.

16.02 The Minor Plant Register shall contain:

- Item No./Description
- Date of purchase
- Purchase Price
- Written Down Value
- Accumulated Depreciation

16.03 Not less than once in every financial year the Chief Executive Officer shall cause the Register of Minor Plant to be checked by physical count and reconciled with the register.

## 17 PLANT AND MACHINERY

17.01 The Chief Executive Officer shall cause to be maintained a Register of all Plant and Machinery.

17.02 The Plant and Machinery Register shall contain:

- Accumulated Depreciation
- Item No./Description
- Date of purchase
- Purchase Price
- Vendor
- Use per year hrs/kilometres
- Written down value



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- Charge out rate

17.03 All Plant and Machinery shall be charged out as a determined charge out rate per unit of use.

17.04 The sum of the income generated by charging out the Plant and Machinery to works and services should approximately recover the total cost of operating and depreciating the Plant and Machinery for the year.

17.05 Not less than once in every financial year the Chief Executive Officer shall cause the Register of Plant and Machinery to be checked by physical count and reconciled with the Register.

## 18 **FURNITURE AND EQUIPMENT**

18.01 The Chief Executive Officer shall cause to be prepared a Register of all Furniture and Equipment owned by the Council.

18.02 The Register shall contain:

- Item No./Description
- Date of purchase
- Serial No. – if appropriate
- Written down value
- Accumulated depreciation

18.03 Not less than once in every financial year the Chief Executive Officer shall cause the Register of Plant and Furniture and Equipment to be checked by physical count and reconciled with the records of the Register.

## 19 **FIXED ASSETS**

19.01 The Chief Executive Officer shall cause to be prepared Registers which contain all Fixed Assets owned by the Council.

19.02 Fixed Asset Registers shall be segregated as follows:

- Land and Buildings
- Streets and Roads

19.03 The Land and Building Register will contain the following information:

- Item No.
- Street No./Section No.
- Street address
- Certificate of Title reference
- Date of acquisition



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- Site plan
- Purpose/use
- Valuation
- Accumulated depreciation

19.04 The Streets and Roads Register will contain the following information:

- Number
- Street Name
- Length of construction
- Width of construction
- Written down value
- Accumulated depreciation

## 20 **DEPRECIATION**

20.01 The Chief Executive Officer shall cause depreciation to be charged to all non-current assets with limited useful lives. The charge is to be systematically brought to account each year.

20.02 The rate of depreciation is to be reviewed annually.

20.03 A rate of depreciation is to be applied to non-current assets so that the 'written down value' is similar to Market Value.

20.04 A rate of depreciation is to be applied to constructed streets and roads so that the written down value represents the 'Useful Life' of the street or road.

## 21 **RECOVERY OF OVERHEAD CHARGES**

21.01 The cost of labour has two components. These are:

- Direct Cost
- Indirect Labour cost made up of :
  - Annual Leave
  - Sick Leave
  - Workers Compensation Insurance
  - Long Service Leave
  - Staff Training
  - Superannuation

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21.02 There are additional costs associated with the direct employment of labour which, although not directly incurred by the works and services being performed, are incurred to support the direct employment. These costs include:

- Depot expenditure
- Loose tools
- Protective clothing
- Supervision salaries
- Maintenance of stores
- Travelling expenses

21.03 The Chief Executive Officer shall cause an Overhead Charge to be applied to the cost of direct labour to recover indirect labour costs and costs associated with the direct employment of staff so that the cost of works and services supplied is an accurate full cost of undertaking the works and services.

21.04 The percentage of Overhead Charge shall be reviewed annually.

## 22 **DEBTORS**

22.01 The Chief Executive Officer shall cause to be prepared a record of all debtors and transactions relating thereto.

22.02 Work undertaken by the Council will be raised as a Debtor within one month.

22.03 All debtors shall be reviewed quarterly.

22.04 Debts owing to the Council shall be collected as follows:

### All other Fees and Charges

- 1) All debtors are to be issued an Invoice/Statement detailing the service or charge levied by the Council.
- 2) All debtors three (3) months in arrears to be written a FINAL WARNING LETTER advising that legal proceedings to collect the debt will be commenced after 14 days.
- 3) That on the expiration of the prescribed time of the FINAL WARNING LETTER that Council issue Summons in the Local Court for the collection of the debt pursuant to section 144 of the Local Government Act, 1999.

### Rates and Road Charges

- 1) That within seven (7) days of these charges first becoming in arrears that a NOTICE OF FINE imposing the statutory fine of 2% be issued on all defaulting debtors.
- 2) That within seven (7) days of these charges first becoming in arrears a NOTICE OF FINE for a further fine imposing the statutory fine pursuant

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to the provisions of the Local Government Act, 1999, be issued on all defaulting debtors.

- 3) That within a further seven (7) days Council will write a FINAL WARNING LETTER to all outstanding debtors advising that legal proceedings to collect the debt will be commenced after 14 days.
- 4) That upon the expiration of the prescribed time of the FINAL WARNING LETTER that Council may proceed with action to sell the land for non-payment of rates, in accordance with section 184 of the Local Government Act, 1999.

### 23 **PROVISION FOR DOUBTFUL DEBTS**

23.01 A provision for doubtful debts shall be established for debts greater than 150 days, taking into account

- The size and nature of the debt
- The debtor in question

23.02 Aged debts less than 150 days may be provided for if the recovery is known to be unlikely.

23.03 Outstanding debtor balances shall be reviewed annually towards the end of each financial year to ensure doubtful debts are adequately provided for.

### 24 **BAD DEBTS/WRITE OFFS**

24.01 Debts shall be written off only when all reasonable attempts at recovery have been taken and failed. Recommendation for write off shall be made in writing to the Chief Executive Officer.

24.02 Debts that are considered irrecoverable or where the cost of recovery is un-economic, shall be written off as a bad debt.

24.03 The power to write off such debt is delegated to the Chief Executive Officer.

### 25 **HIRING OF COUNCIL PROPERTY**

25.01 The Chief Executive Officer shall cause a Record to be maintained of the hiring of Council buildings.

25.02 The Chief Executive Officer shall cause periodical checks to be made to ensure that the charges raised reconcile with the Record of Hiring and that the appropriate Bonds have been paid and refunded.

### 26 **FURTHER INFORMATION**

Members of the public may inspect this Internal Control Policy and Procedure at the principal office of the District Council of Franklin Harbour, 6 Main Street, Cowell SA 5602, and on payment of a fee obtain a copy. A copy may also be downloaded from the Council website [www.franklinharbour.sa.gov.au](http://www.franklinharbour.sa.gov.au).

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27 **REVIEW OF THE POLICY**

This Internal Control Policy and Procedure will be reviewed by the District Council of Franklin Harbour within 12 months after each general election of Council. However, Council has the right to review this Policy at any time, if considered desirable.

<b>Adopted by Council</b>	<b>July 2009</b>
<b>Reviewed and Amended</b>	<b>19 July 2010</b>
<b>Reviewed and Amended</b>	<b>13 July 2011</b>
<b>Reviewed and Updated</b>	<b>14 October 2015</b>
<b>Reviewed and Updated</b>	<b>April 2018</b>

SIGNED	
Responsible Officer	Date: