

## Internal Control Policy

### Objective

This Policy establishes the Shire of East Pilbara's internal control framework to support sound governance, effective risk management and compliance with *Local Government Act 1995* and the requirements of Regulation 17 of the *Local Government (Audit) Regulations 1996* relating to the review of the appropriate and effectiveness of internal controls.

### Definitions

**ARIC** is the Audit, Risk and Improvement Committee

**Codes of Conduct** refer to the Shire of East Pilbara Code of Conduct for Council Members, Committee Members, and the Shire of East Pilbara Code of Conduct for Local Government Employees, Contractors and Volunteers.

**Detective Controls** are controls designed to identify errors, irregularities or undesirable events that have already occurred.

**Directive Controls** are controls that guide behaviour and mandate specific actions to achieve desired outcomes.

**Internal Control** means a systematic process, supported by policies, procedures and practices, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, compliance and the safeguarding of assets.

**Preventative Action** are actions taken to address identified risks or weaknesses before an incident or non-compliance occurs.

**Preventative Controls** are controls designed to deter or prevent errors, losses or undesirable events from occurring.

**Regulation 17** means regulation 17 of the Regulations.

**The Shire** means the Shire of East Pilbara.

**The Regulations** mean the *Local Government (Audit) Regulations 1996*.

**The Act** means the *Local Government Act 1995*.

### Policy Statement

The Shire is committed to maintaining an effective internal control environment that supports ethical conduct, accountability, transparency and the responsible stewardship of public resources.

### Objectives

The objectives of this Policy are to:

- a. Establish a consistent internal control framework across all Shire activities.
- b. Support compliance with legislative and regulatory obligations.
- c. Promote efficient, effective and economical operations.
- d. Safeguard the Shire's assets and resources from fraud, loss and misuse; and

- e. Provide Council with assurance regarding the effectiveness of internal controls.

## **1 Internal Control Framework**

### **1.1 Governance and Accountability**

Council has overall responsibility for governance and the oversight of the Shire's internal control framework. Council delegates responsibility for the day-to-day management and financial administration of the Shire to the Chief Executive Officer in accordance with sections 5.42 and 5.45 of the Act.

In accordance with the Regulations, the Chief Executive Officer is responsible for ensuring that appropriate internal controls are established and maintained, and that their effectiveness is reviewed annually and reported to the ARIC and Council. The ARIC provides independent oversight of the Shire's internal control environment, including reviewing the outcomes of internal audits, the internal control review required by the Regulations, and other assurance activities.

### **1.2 Internal Audit and Assurance**

The Shire maintains an Internal Audit function supported by a rolling three-year, risk-based Internal Audit Plan. The Internal Audit Plan is aligned with Regulation 17 and focuses on areas of higher risk and materiality.

Internal Audit provides independent and objective assurance on the adequacy and effectiveness of internal controls, governance processes and risk management systems. It informs the annual internal control review undertaken by management.

### **1.3 Control Environment**

A strong control environment underpins effective internal control. Council, the Chief Executive Officer and Executive Leadership Team are responsible for promoting a culture of integrity, accountability and strong internal control across the organisation. All Council Members, Committee Members and Employees are responsible for complying with this Policy and associated procedures.

The control environment is supported through:

- Compliance with Codes of Conduct;
- Alignment with organisational values documented in the Strategic Community Plan;
- Appropriate training and capability development; and
- Defined and appropriate use of information systems and technology.

### **1.4 Risk Assessment**

The Shire adopts a proactive approach to risk management. Risks arising from the Shire's activities are identified, assessed and reviewed in accordance with the Shire's Risk Management and Governance Frameworks. Identified risks and associated control measures are documented within the Shire's Risk Register and are monitored and reviewed from time to time.

Risk assessments are undertaken on a regular basis to ensure emerging risks are identified and appropriate control measures are implemented.

### **1.5 Control Activities**

Control activities are implemented to manage identified risks and may include:

- **Preventative controls**, such as documented procedures, segregation of duties, training and system controls;
- **Detective controls**, such as internal audits, reconciliations, reviews and monitoring activities; and
- **Directive controls**, including business continuity planning, disaster recovery planning, insurance arrangements, education and disciplinary processes.

Internal controls also support the prevention and detection of fraud, misconduct and corruption, and operate alongside the Shire's Fraud and Corruption Control Policy.

## **1.6 Monitoring and Review**

Internal controls and management systems are subject to ongoing monitoring and periodic review to assess their effectiveness. Monitoring and review activities include:

- Delivery of the risk-based Internal Audit Plan;
- Annual review of the effectiveness of internal controls;
- Monitoring of the Risk Register, with higher-rated risks reviewed regularly;
- Monitoring of performance against Integrated Strategic Planning documents; and
- Completion of statutory compliance audits and returns.

The outcomes of internal audit activities and the annual internal control review are reported to the Audit, Risk and Improvement Committee and Council.

## **2 Responsibilities**

### **2.1 Council and ARIC Members**

- a. Provide oversight of the internal control framework; and
- b. Monitor assurance reports relating to internal control effectiveness.

### **2.2 Chief Executive Officer**

- a. Establish and maintain effective internal controls.
- b. Ensure an annual review of internal control effectiveness is undertaken; and
- c. Report outcomes to the ARIC and Council.

### **2.3 Employees**

- a. Comply with this Policy and associated procedures;
- b. Perform duties in a manner that supports effective internal control; and
- c. Report instances where internal controls are ineffective or not being complied with.

### **2.4 Audit, Risk and Improvement Committee**

- a. Review the effectiveness of the Shire's internal control framework;
- b. Review the outcomes of the internal control review and internal audit reports; and
- c. Provide advice to Council on improvements to governance, risk management and internal controls.

### 3 Records Management

Records relating to internal controls, assurance activities and reviews must be created, retained and managed in accordance with the *State Records Act 2000*, the Shire's Recordkeeping Policy and Record Keeping Plan.

### 4 Training

The Chief Executive Officer is responsible for ensuring that appropriate training is provided to support awareness and effective implementation of internal controls, including training relating to fraud awareness, financial management controls, risk management and governance.

### 5 Non-Compliance

Non-compliance with this Policy may be addressed through corrective action, additional training, or disciplinary action in accordance with the Shire's policies, procedures and applicable legislation.

### Authorisation

<b>References:</b>	<i>Local Government Act 1995</i> <i>Local Government (Audit) Regulations 1996</i> <i>Local Government (Financial Management) Regulations 1996</i> <i>State Records Act 2000</i> <i>Shire of East Pilbara Fraud and Corruption Control Policy</i> <i>Shire of East Pilbara Recordkeeping Policy</i>		
<b>Authorised by:</b>	Council		
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<b>Responsible Officer</b>	Coordinator Audit Risk and Compliance		
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