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RELATED STRATEGIC DOCUMENTS, POLICIES OR PROCEDURES:	Staff Code of Conduct Procurement Policy Levels of Authority Delegations Accounts Payable Policy Corporate Credit Card Policy Payroll Policy Password and Authentication Policy
RELATED LEGISLATION:	Local Government Act 2020

EVIDENCE OF APPROVAL:

Signed by Chief Executive Officer



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**This document is available in alternative formats (e.g. larger font) if requested.**

## 1 PURPOSE

This policy provides principles to ensure strong financial management for Council.

## 2 SCOPE

This policy applies to all staff with financial delegations or involved with Council's financial services.

## 3 POLICY

Council will implement internal controls that ensure the integrity of Council's financial information. Those controls include:

### 3.1 Adherence to policies and other documents

Council has a number of policies and other documents that must be read in conjunction with this policy. These documents, listed in the related strategic documents, policies or procedures section at the start of this policy, provide staff with appropriate parameters when undertaking their roles. Council staff must adhere to these policies and other documents in the course of their duties.

### 3.2 Adherence to the Local Government Act 2020

Section 101 of the Local Government Act 2020 (the Act) outlines the financial management principles the Council must comply with. These are:

- (a) revenue, expenses, assets, liabilities, investments and financial transactions must be managed in accordance with a Council's financial policies and strategic plans;
- (b) financial risks must be monitored and managed prudently having regard to economic circumstances;
- (c) financial policies and strategic plans, including the Revenue and Rating Plan, must seek to provide stability and predictability in the financial impact on the municipal community;
- (d) accounts and records that explain the financial operations and financial position of the Council must be kept.

For the purposes of the financial management principles, **financial risk** includes any risk relating to the following:

- (a) the financial viability of the Council;
- (b) the management of current and future liabilities of the Council;
- (c) the beneficial enterprises of the Council.

Section 105 outlines the principles for accounts and records. These are:

- (1) The Principal Accounting Officer of a Council must ensure that there are kept proper accounts and records of the transactions and financial affairs of the Council.
- (2) A failure by a Council to keep proper accounts and records and the reason for that failure must be reported in the annual report.

The Local Government Act 2020 requirements will be incorporated into Council documents and processes upon review.

### 3.3 Internal controls

There are a number of internal control mechanisms be adhered to by Council staff in undertaking their duties.

#### 3.3.1 Credit card details

Credit card details are not to be communicated via electronic mail. This is a control put in place to minimise risk of potential unauthorised access to customer card accounts. Details may be taken over the phone and input direct into an EFTPOS machine or online receipting portal.

No credit card details are to be written or kept for future use. In exceptional circumstances, where personal details have been written, they must be disposed of immediately in a secure manner.

#### 3.3.2 Regular bank reconciliations

Bank reconciliations for the main operating accounts will be reconciled three times per working week as a minimum. Other bank accounts will be reconciled at the end of each month as a minimum.

Bank reconciliations will be maintained using established industry techniques and all anomalies will be investigated and any corrections approved.

The reconciliations will be reviewed by the Financial Accountant at least once a week and enter the required information into the cash flow monitoring spreadsheet.

All deposits requiring receipt, and any deductions requiring ledger entries will be completed within one week of the entry, and prior to the end of the month.

Any cheque considered stale will be cleared from the reconciliation within three months of issue.

#### 3.3.3 Limiting cash holdings

Banking of Council's receipts must be undertaken at least three times per week to ensure that excess cash is not held on site.

Petty cash holdings must be reconciled and replenished at least once per month, such that expenses are properly accounted for in the month in which they are expended.

Petty cash boxes will be examined on a random basis, without notice, at least once per month, to ensure proper care is applied in the control of these funds. Any anomaly will be escalated and appropriate action taken.

#### 3.3.4 Authorisations

All electronic funds transfers and cheque payments require two signatures from officers delegated in the Levels of Authority Delegations. Electronic funds transfers will only be applied where the transaction is properly approved, and will only be authorised by those officers defined in the Levels of Authority Delegations.

The authentication devices issued by Council's bankers or the mobile phone application will be used to effect the transfer. Any computer file generated to assist with the electronic transfer will be monitored by the Financial Accountant, or another officer designated by the Manager Financial Services, to ensure there is no unauthorised alteration of the file.

### 3.3.5 Segregation of duties

Segregation of duties means that no one person is responsible for completing a full process. For example, the person who enters the invoice into the finance system, is different from the person who approves payment of the invoice.

This type of control serves two purposes. It ensures there is oversight and review to detect errors and it helps prevent fraud because it requires at least two people to collude in order to hide a transaction.

In the case of single operator departments where segregation of duties is not practicable, compensating safeguards will be established to manage potential risk.

### **3.4 Internal reporting of financial results**

Financial transactions will be recorded accurately, completely, and in a timely manner to ensure that Council's financial system reflects current information.

Finance reports will be prepared and provided to responsible officers on a monthly basis for checking budgets against actual results and to follow up any anomalies in the results.

Finance meetings will be held with responsible officers monthly so that open discussion about the financial position of their line items can be held.

The Management Executive Group will be provided with full financial results on a quarterly basis for the purpose of reviewing progress comments and seeking clarification on any anomalies in the results.

An analysis of the financial results will be undertaken by the Management Executive Group at the end of the financial year to understand any variances to results.

### **3.5 External reporting of financial results**

Reporting on financial position will be presented to Council on at least a quarterly basis. These reports will comply with any relevant Act, Regulations and Accounting Standards.

Reports will also be presented to the Audit and Risk Committee for review.

### **3.6 Climate change**

Council recognises that climate change may affect its financial performance and will seek to identify the most suitable means for identifying and mitigating the effect of climate change on Council's financial management.

## **4 HUMAN RIGHTS STATEMENT**

It is considered that this policy does not impact negatively on any rights identified in the Charter of Human Rights Act. Loddon Shire Council is committed to consultation and cooperation between management and employees. The Council will formally involve elected employee Health and Safety Representatives in any workplace change that may affect the health and safety of any of its employees.

## 5 REVIEW

The Manager Financial Services will review this policy for any necessary amendments no later than 4 years after adoption of this current version.