

Policy Number:	ADM 2
Policy Type:	Administration Policy
Policy Name:	Internal Control Manual
Policy Owner:	Chief Executive Officer
Authority:	Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996

INTRODUCTION

The procedures detailed in this Internal Control Manual have been developed to:

1. Ensure that expenditures of Council are undertaken in a controlled environment to achieve the highest level of compliance with all Local Government legislation and Council policies; and
2. To meet the requirements of Regulation 5(2)(a) of the Local Government (Financial Management) Regulations 1996.

Regulation 5(2)(a) of the Local Government (Financial Management) Regulations 1996 states that the CEO is to:

“ensure that the resources of the local government are effectively and efficiently managed”.

The adoption of these procedures will meet the requirements of this regulation.

These procedures shall be reviewed on an annual basis.

1 THE PURCHASING SYSTEM

1.1 OBJECTIVES

The objectives of the purchasing system include:

- Adhering to Council policy ADM 4 – Purchasing Policy.
- That purchase orders are initiated for the supply of all goods and services required by Council, excepting those referred to in section 1.2.1 of this manual.
- That goods and services are verified in terms of quantity and quality.
- That supplier invoices are certified for payment by authorised persons.
- That accurate and prompt payment of creditors is made in accordance with the terms of credit.

1.2 PROCEDURES

1.2.1 Purchase Orders

A purchase order in a form approved by the Chief Executive Officer shall be issued in relation to the purchase of all goods and services except the following:

- Utilities
- Licenses
- Insurances, freight and postal charges
- Fuel
- Local suppliers where an account is set up
- Supply of goods or services under contract.
- Attendance at conferences and seminars (where payment is required in advance).
- Goods purchased from petty cash.

Officers authorised to sign purchase order forms and cheque requests (Authorised Officers) are those people appointed to the following positions:

Chief Executive Officer
Manager Corporate Services
Manager Infrastructure
Plant Mechanic.
Leading Hand Gardener (up to \$1,000)
Community Emergency Services Officer (up to \$1,000)

Purchase Orders shall be completed with the following information:

- The supplier's full name and address.
- A brief description of the goods or services required, including quantity if applicable.
- An estimate of the cost of the goods or services.
- The delivery point and date of delivery if applicable.
- The chart of account or job number.

The authorising officer shall ensure that the expenditure is authorised within the current year's adopted budget.

The purchase order form is in triplicate. The first copy (white) is to be forwarded to the supplier. The second copy (yellow) is to be forwarded to the Customer Service/Library/Records Officer who shall file it in purchase order number order, awaiting receipt of the supplier's invoice. The third copy is retained in the order book.

1.2.2 Local Purchases

Purchase Orders are not required for the provision of goods and services that are generally of a minor ongoing nature from local suppliers where an account is set up. A signature of receipt is required to be placed on the invoice or cart note accompanying the goods.

1.2.3 Tenders

Tenders shall be processed in accordance with the Local Government (Functions and General) Regulations 1996 Sections 4 and 4A, Council delegation number 2 (Tenders) and Council policy ADM4 Purchasing Policy.

Tenders that result in contracts shall, following Council's acceptance of the Tender, be processed as follows:

- A purchase order shall be raised in accordance with guidelines detailed in section 1.2.1 of these procedures, or
- A letter of acceptance of tender will be written which details the conditions of the contract with reference to the tender documentation.

1.2.4 Corporate Credit Cards

A Corporate credit card has been approved for:

- the Chief Executive Officer

Approved purchases shall be reported on a monthly basis to Council in conjunction with the normal presentation of accounts for payment.

1.2.5 Cheque Requests

Cheque requests in the form approved by the Chief Executive Officer are to be used for the payment of accounts due to people or organisations where no external invoice is rendered. Supporting documentation, where applicable, is to be attached to the cheque request. Only Authorised Officers can sign cheque requests, and in doing so shall ensure that the controls listed in section 1.2.1 of this manual are adhered to.

1.2.6 Certification of Invoices

All invoices received shall be stamped with the Shire of Nannup date stamp and the certifying stamp.

Where a purchase order form was generated for the supply of the goods or services, the second copy (yellow) of the purchase order form must be attached to the invoice. The invoice shall be passed on to the Authorising Officer for certification. The certification stamp shall be signed off in all sections by the Authorising Officer prior to the processing of the invoice through the financial system.

Having signed off the certification stamp, the authorising officer shall forward the invoice for payment.

The officer processing invoices shall:

- Verify that all prior procedures have been complied with. If any information or authorisation is lacking the invoice must be returned to the authorising officer for correction.
- Verify all prices and extensions.
- Process those correctly authorised invoices at least on a two weekly basis. Prior to the production of the cheques or electronic funds transfers, all invoices and the system invoice list shall be forwarded to the Manager Corporate Services or a person delegated by the Manager for approval to proceed.
- All cheque and electronic funds transfer payments paid shall be listed and submitted to the next Ordinary Meeting of Council for endorsement.

Payment Vouchers supported by creditor's invoices, quotations, purchase orders or any other relevant documentation shall be filed in cheque number or electronic fund transfer number order.

1.2.7 Assets

Those invoices that pertain to the purchase of assets over the Capitalisation Limit as set out in Policy FNC1, shall be recorded in the Council's Asset Management System.

1.2.8 Retention of Records

The following records shall be retained in accordance with the State Records Act 2000 and the Shire of Nannup's Record Keeping Plan:

- Purchase order books.
- Contracts / Tender register.
- Cheque payment vouchers together with associated support documentation.

2 PETTY CASH

2.1 Objectives

The objective of the petty cash system is to provide an efficient means of handling approved minor Council purchases. Petty cash shall be maintained on an imprest system. The advance to be held for Petty Cash shall be \$150.

2.2 Procedures

Petty Cash disbursements are restricted to expenses that are of a minor nature. Each time a disbursement is made the petty cash voucher in the form approved by the Chief Executive Officer/Manager Corporate Services shall be completed in full. The petty cash voucher must be authorised by an Authorised Officer. Receipts are to be attached to the petty cash voucher wherever possible.

The petty cash advance shall be reconciled with cash on hand and processed vouchers, as required, prior to reimbursement, using the petty cash recoup sheet.

It is the responsibility of the Customer Service/Library/Records Officer to ensure that:

- The cash and relevant petty cash vouchers are secured at all times, and placed in the safe at night.
- The cash and relevant petty cash vouchers are regularly reconciled.
- Any discrepancies are reported to the Manager Corporate Services immediately.

3 PAYROLL

3.1 Objectives

The operation of the payroll system should ensure that:

- The exact payment is made to all staff for all hours worked in accordance with the relevant industry awards and individual contracts.
- Timely payment is made to all staff.
- Accurate, timely and meaningful recording of wage and salary costs is undertaken in the accounting system and subsequent management reports.
- Payment of deductions from salaries and wages to appropriate organisations is made at the end of each month.

3.2 Procedures

3.2.1 New Employees

When a new employee commences, the member of the Senior Management Team responsible for that employee shall ensure that a copy of the letter of employment addressed to the employee, stating the level of employment, wages/salaries per fortnight, and any other allowances paid per fortnight is forwarded to the Corporate Services Officer.

The new employee will be required to complete the following documentation:

- Tax declaration forms.

- Superannuation forms.
- Deduction from payroll forms.
- Details of bank account for direct debiting purposes.

Upon receiving all the new employee information, the Corporate Services Officer shall set up a payroll record for the new employee based on the details received.

A new employee file shall be created at this point.

3.2.2 Termination of Employees

Notification of an employee's termination shall be forwarded to the Corporate Services Officer by the employee's supervisor as soon as practicable. The notification shall include all necessary information to enable a termination payment to be made.

The Corporate Services Officer shall, upon receipt of the notice of termination, undertake the calculations for final payment, taking into account such matters as accrued leave and required notice in accordance with the relevant award or contract for the approval of the Manager Corporate Services, and amend the payroll system to ensure that further transactions are prevented.

3.2.3 Time Sheets

Time sheets in the form approved by the Chief Executive Officer shall be completed by the appropriate staff for the purposes of recording all ordinary hours, sick leave, annual leave, long service leave, rostered days off and over-time worked. The time sheets, when completed, are to be authorised by the Supervising Officer as detailed on the time sheet, and forwarded to the Corporate Services Officer by 10.00am of the Monday of the pay week.

Where the time sheet requires the recording of job number details or chart of account, this information is to be checked by the Supervising Officer prior to being signed off.

Any anomalies or discrepancies observed by the Corporate Services Officer in the course of processing the time sheets shall be reported to the person authorising the time sheet for determination and suitable action.

3.2.4 General

All salaries and wages paid shall be credited to employees' bank accounts via direct banking.

Employee payments made outside of the appointed fortnightly schedule e.g. termination and pay adjustments, shall be processed through "one off pay run – P930W" to ensure correct allocation of costing.

The Corporate Services Officer shall ensure that general ledger control accounts associated with payroll are balanced on a monthly basis.

3.2.5 Leave

All sick leave, annual leave, long service leave, rostered days off, study leave and time in lieu shall be applied for using the application for leave form. The Supervising Officer shall ensure that adequate leave provision is available for the employee prior to granting approval for the requested leave. The leave form, after being approved by the Supervising Officer, shall be forwarded to the Corporate Services Officer for the correct calculation of time off requested, and the maintenance of the appropriate leave accrual system.

When the processing of the form through the payroll system is complete, it shall be placed on the relevant employee's personal file.

3.2.6 Retention of Payroll Records

The following records shall be retained in accordance with the State Records Act 2000 and the Shire of Nannup's record Keeping Plan:

- Daily Attendance Records – Time Sheets.
- Employment History and Leave Entitlement Records.
- Payroll pre-listing audit reports.
- Bank details and bank deduction reports.
- Employee deduction reports.
- Hours Due reports.
- Payroll Journals Report.
- Group Certificates.

4 THE RECEIPTING SYSTEM

4.1 Objectives

The objective of the receipting system is to ensure that all monies received by Council are recorded and accurately processed in a timely manner.

4.2 Procedures

Only the following officers are permitted to issue receipts:

- Corporate Services Officer
- Administration/Finance Officer
- Development Services Officer
- Clerical Trainee
- Customer Service/Library/Records Officer

Any other officer requiring a receipt must give the money to one of the above officers who will then issue a receipt.

All monies received through the mail are to be recorded in a register. Each entry shall record the date of the receipt, details of the receipt, the

initials of the officer issuing the receipt and the initials of the checking officer.

The person recording the money in the register shall not be the same officer issuing the receipt.

All cheques received through the mail shall be receipted on the same day.

At 4.30 p.m. each day, the cash on hand shall be reconciled using the daily cash receipts summary form.

All monies received shall be banked on at least a daily basis.

The cash drawer shall be secured at all times. All cash and cheques held over at the end of the day shall be placed in the safe overnight.

When balancing the till at the end of each day, if a discrepancy exists between the total of receipts and cash, the Manager Corporate Services shall be immediately notified. After exhausting all avenues to resolve the discrepancy, the following shall apply:

- If the amount of cash held is in excess of the receipts issued, the surplus shall be receipted into the Municipal Fund and held as a restricted asset.
- If the amount of cash held is less than the value of the receipts, if the monies held as restricted assets is not sufficient to address the shortfall, this will be addressed on a case by case basis.

Any variations to the above, must be discussed immediately with the Manager Corporate Services, or in the Manager's absence the Chief Executive Officer, whereupon further guidance will be given.

5 INVESTMENTS

5.1 Objectives

The objective of this procedure is to ensure that the investment of surplus Council funds is undertaken to ensure the maximisation of return within a secure environment.

5.2 Procedures

Surplus funds shall be invested in accordance with Policy FNC 7.

Details of the nature of the investment and interest rate payable on the investment will be maintained in the Investment Register.

Interest earnings on any investment shall be recorded in the books of account for the period in which the earnings were received.

6 THE JOURNAL SYSTEM

6.1 Objectives

The objective of this procedure is to limit the use of journals to:

- The bringing to account of direct debits and credits through the bank statement listing, and
- The correction of incorrect income and expenditure accounting record entries.

6.2 Procedures

An Authorised Officer, having verified that an incorrect allocation of income or expenditure has occurred, shall request a journal transfer to be made.

The request shall detail all particulars of the required journals including the reason, quantities, dollar values and any supporting documentation.

The journal transfer may only be processed by:

- the Manager Corporate Services
- the Corporate Services Officer

Related Policies	
Related Procedures/Documents	Purchase Order Form, Cheque Request, Petty Cash Voucher, Petty Cash Recoup Sheet, Timesheet, Application for Leave, Daily Cash Receipts Summary
Delegated Level	
Adopted	OM 23 March 2000
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