



Financial Internal Controls

Financial internal control

Overview of internal controls

The current approach to internal control should be based on a pro-active, risk aware culture that reviews and identifies the key business risks that the EPLGA Board faces in today's environment. This approach acknowledges that the risks faced can and do change, and consequently the framework of internal controls must include the provision for regular and effective review.

Internal control and risk management

The need for an internal controls governance framework is to ensure that the business objectives of the EPLGA Board are being achieved and that key risks are being identified and appropriately managed. A broad definition of risk is any threat that can potentially prevent an organisation from meeting its objectives and/or any opportunity that is not being maximised by an organisation in meeting its objectives.

The Board's objective will not necessarily be the elimination of all risk, but to ensure that risk is maintained at an acceptable level in a cost effective and efficient manner.

Risk and control assessment process

Given that the EPLGA Board has limited resources, it is important to focus on the key risks. Once the Board has identified the key risks it faces, these risks should be analysed in terms of how likely the risk is to occur (**likelihood**) and the possible significance (**consequence**) of the risk event. This will give the inherent risk rating which represents the level of risk associated with the particular issue without considering any controls that might already be in place. The suggested parameters for quantifying likelihood and consequence, as provided in the Australian/New Zealand Risk Management Standard (AS/NZS ISO 31000:2009), have been included below.

		Consequence				
		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	E	Moderate	High	High	Extreme	Extreme
Likely	D	Low	Moderate	High	Extreme	Extreme
Possible	C	Low	Low	Moderate	High	Extreme
Unlikely	B	Low	Low	Low	Moderate	High
Rare	A	Low	Low	Low	Moderate	High

Development of the Internal Controls

The Better Practice Model – Financial Internal Controls was used by the Executive Officer in determining the risks and associated treatments, however as part of this process a number of the additional controls were also documented.

This process included completing the control assessment worksheets contained within the 'Better Practice Model – Financial Internal Controls'. All current core controls were identified and where a control had not been implemented, an action plan was recorded to implement the control or rationale provided to justify its omission.

Refer to Appendix A (separate document) for the completed Control Assessment Worksheets from the Better Practice Model – Financial Internal Controls documented with the EPLGA Board's (EPLGA) financial internal controls. Identified within this are the following:

- The internal controls the EPLGA currently has in place
- Action plans for the required internal controls the EPLGA has not or partially implemented
- Inherent risk rating for each of the risks within the key business processes
- Internal controls the EPLGA does not find applicable due to it's size, the activities performed by the EPLGA and the level of risk
- A responsible officer and a reviewing officer for each of the required controls.

The documented control assessment worksheets from the 'Better Practice Model – Financial Internal Controls' form the basis of the financial internal control framework for the EPLGA.

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