

## APPENDIX 1: DEFINITION OF INTERNAL CONTROL AND GOVERNANCE

### SYSTEM OF INTERNAL CONTROL

A term to describe the totality of the way an organisation designs, implements, tests and modifies controls in specific systems, to provide assurance at the corporate level that the organisation is operating efficiently and effectively.

### DEFINITION OF INTERNAL CONTROL

An internal control system encompasses the policies, processes, tasks, behaviors and other aspects of the business that, taken together:

- facilitate its effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieving its objectives. This includes the safeguarding of assets from inappropriate use or from loss and fraud and ensuring that liabilities are identified and managed
- help ensure the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the organisation
- help ensure compliance with applicable laws and regulations, and also with internal policies with respect to the conduct of business.

### DEFINITION OF GOOD GOVERNANCE

The systems and processes, and cultures and values, by which bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

Governance is about how bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

**Good governance leads to** good management, performance, stewardship of public money, public engagement and ultimately, **good outcomes for citizens and service users**