



# Broomhaugh & Riding Parish Council

## Internal Control Procedure

*It is the Council as a whole that is responsible in law for ensuring that its financial management is adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of their functions and which includes arrangements for the management of risk. - Governance and Accountability for Local Councils: A Practitioners' Guide 2014*

To safeguard Broomhaugh & Riding Council finances there are 3 systems of control:

### **Internal control**

**Internal Audit - see Internal Audit Policy document**

**External Audit**

### **The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk; reducing it to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically

### **The Internal Control Environment**

#### **The Council**

The Council has appointed a Chairman who is responsible for the smooth running of its meetings and for ensuring that all Council decisions are lawful. The Council reviews its obligations and objectives and budgets at the level of precept required for the following year at its December meeting. The Council monitors progress against its aims and objectives at its meetings by receiving relevant reports from the Parish Clerk. The Council regularly reviews its internal controls, systems and procedures. In addition, one member of the Council is delegated the task of reviewing the accounts at least quarterly. He/she must ensure the cash book, bank statements, payments and receipts are correctly recorded and that correct procedures are being maintained by the Clerk.

#### **The Clerk/Responsible Financial Officer**

The Council has appointed a Clerk to the Council who acts as the Council's advisor and administrator. The Clerk is the Council's Responsible Financial Officer and is responsible for administering the Council's finances. The Clerk is responsible for the day-to-day compliance with laws and regulations that the Council is subject to and for managing risks. The Clerk also ensures that the Council's procedures, control systems and policies are adhered to.

#### **Payments**

All items of expenditure are authorised by the Council and the payments approved. The Clerk will examine invoices and verify and certify the expenditure. Online payments/cheques will be completed for all transactions and approved online/signed by two authorised Councillors.

#### **Risk Assessments/Risk Management**

The Council carries out regular risk assessments in respect of its activities and regularly reviews its system and controls. It undertakes a yearly review of its assets and ensures that they are well maintained.

**Internal Audit**

The Council has appointed an independent, competent internal auditor who reports to the Council on the adequacy of its systems and procedures, internal controls and risk management and its reviews of these matters. The effectiveness of internal audit is reviewed annually.

**External Audit**

The Council's external auditors submit an annual Certificate of Audit which is presented to the Council and which is displayed publically.

**Review of Effectiveness**

The Council has responsibility for conducting an annual review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of:

- The Council;
- The Clerk/RFO who has responsibility for the design and maintenance of the internal control environment and managing risk;
- The independent internal auditor who reviews the Council's systems of internal control;
- The Council's external auditor who makes the final check using the annual return, a form completed and signed by the RFO, the chairman and internal auditor.

## **STATEMENT OF INTERNAL CONTROL**

CASH BOOK/BANK RECONCILIATIONS	<p>The cash book is kept electronically in spreadsheet format, and kept up to date from original documents – receipts, invoices, payments. The cash book is reconciled to the bank statement in preparation of every Parish Council meeting.</p> <p>A bank reconciliation is presented at each Parish Council meeting. The balances reported can be traced back to the expenditure approved in the previous meeting via the Minutes.</p> <p>The cash book, bank statements and payments and receipts are reviewed by a Member of the Parish Council at least quarterly.</p>
FINANCIAL REGULATIONS	<p>The Parish Council has adopted Financial Regulations based on the NALC model. The regulations are reviewed yearly for continued relevance and amended where necessary via approval by the Parish Council.</p>
ORDER/TENDER CONTROL	<p>Financial Regulations refer for procedures relating to tenders.</p>
LEGAL POWER	<p>A proper legal power is identified for each item of expenditure.</p>
PAYMENT CONTROLS	<p>All payments are reported to the Council for approval via the agenda.</p> <p>Two Members of the Council must sign every cheque or authorise every online payment. (NB: legislation allows for a clerk to authorise a payment, this Council has decided that two councillors must authorise each payment)</p> <p>The signatories should consider each cheque against the relevant invoice and initial the cheque counterfoil. One councillor must also sign the invoice.</p> <p>When authorising an online payment, the Clerk must send a copy of the invoice for review to those councillors who are authorised to approve payments.</p> <p>The two councillors approving an online payment must inform the Clerk of their action by email and provide the online reference number issued for the transaction. These records should be retained with the original invoice.</p> <p>Payments are listed in the Minutes of the meeting.</p> <p>The Clerk maintains control of the cheque book at all times and is the person who must initiate an online payment (the only other person authorised to initiate an online payment is the Chair of the Council and this would only be done in an emergency).</p> <p>Cheques/online payments will normally only be issued/approved in Council meetings but when there is a significant time between meetings and late payment might incur a fine, payments can be made and reported at the next Council meeting.</p> <p>The cheque number / online payment reference number are recorded on each invoice. For online payments a record of who</p>
PAYMENTS MADE UNDER SECTION 137 of the LGA 1972	<p>A separate record of s137 payments is kept.</p> <p>The Clerk calculates the maximum amount of s137 expenditure able to be made each year and ensures it is not exceeded. The proper Minute authorising expenditure from s137 is prepared on each occasion.</p>
VAT RECLAIMS	<p>The Clerk ensures that all invoices are addressed to the Parish Council.</p> <p>The Clerk maintains a VAT account and ensures that the correct amount of VAT is reclaimed in the year.</p>

INCOME CONTROLS	<p>All income is received and banked in the Council's name in a timely manner and reported to the Council.</p> <p>The Clerk ensures that the amount of precept received is correct in accordance with the precept request sent to the County Council.</p> <p>The Clerk ensures that the precept instalments are received when due.</p>
FINANCIAL REPORTING	<p>A budget control, comparing actual receipts and payments to the budget is prepared and presented to the Council at every meeting and outstanding issues recorded in the Minutes.</p>
BUDGETARY CONTROLS	<p>The budget is prepared in consultation with the full Council, as evidenced by reports and Minutes in advance of the start of the financial year.</p> <p>The Precept request is submitted by the deadline dictated by the County Council.</p>
PAYROLL CONTROLS	<p>The Clerk is paid under PAYE as an employee of the Council and the necessary system for making payments to HMRC is in place.</p> <p>The Clerk's salary is set by the Council and a Minute is prepared to show the agreed salary scale.</p> <p>The Clerk ensures that the necessary payroll returns are made to HMRC and retains evidence that this has been done.</p>
OFFICE AND CLERK'S EXPENSES	<p>The Clerk submits a request for reimbursement of monies owing by way of an expense sheet in advance of the meeting and detailed on the agenda.</p> <p>The expenses cover any out of pocket expenses as well as travel expenses as laid down by the joint SLCC/NALC guidelines.</p> <p>The expense sheet is treated as an invoice for accounting purposes.</p>
ASSET CONTROL	<p>The Clerk maintains full asset register.</p> <p>The existence and conditions of assets is checked on an annual basis by the Parish Council.</p> <p>The adequacy of insurance of the Parish Council's assets is considered annually in advance of the insurance renewal.</p>
INTERNAL AUDIT	<p>The Council annually appoints an independent internal auditor who provides a full report to the Council on Records, Procedures, Systems, Internal control, Regulations, Risk management. The internal auditor will have planned and carried out the work necessary to give the assurances called for in Section 4 of the Local Councils Annual Return. The Parish Council annually reviews the scope of work offered by the internal auditor.</p>
EXTERNAL AUDIT	<p>The Council submits an annual return to the external auditor appointed by the Smaller Authorities' Audit Appointments Ltd (SAAA) in a timely manner.</p>