

## **Scarning Parish Council**

### **Internal Control Policy for the year ending 31 March 2018**

#### **1. SCOPE OF RESPONSIBILITY**

The Accounts and Audit (England) Regulations 2011 state that a Council is responsible for ensuring that the financial management of the body is adequate and effective, and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.

Scarning Parish Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

At least once a year a review must be conducted of the effectiveness of its system of internal control by members of the Council, and following the review the Council must approve an annual governance statement prepared in accordance with proper practices in relation to internal control.

#### **2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

Internal control is designed to reduce financial risk to the Council.

The system of internal control is designed to ensure that the Council's activities are carried out properly and as intended. Internal controls are set up by the Responsible Financial Officer (RFO) but it falls on the Council members to ensure that they have a degree of control and understanding of those controls. Controls include the checking of routine financial procedures; the examination of financial comparisons; the recording of assets and liabilities; and the identification of risk. The Council must evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.

#### **3. PERSONNEL INVOLVED WITH THE INTERNAL CONTROL ENVIRONMENT**

##### **a. The Council:**

- All decisions made by the Council should be in accordance with its Standing Orders and Financial Regulations and approved by the Council.

- At its November meeting the Council approves the final budget and the level of precept for the following financial year.
- The Council has appointed an Internal Control Officer (ICO) to monitor progress against objectives, financial systems and procedures, and budgetary control. The ICO carries out regular reviews of financial matters. The Council receives reports from the ICO and monitors progress against its aims and objectives.
- The Council receives a financial statement which it approves at its Council meetings at least four times a year. Payments are made in accordance with Standing Orders and Financial Regulations.
- Two councillors (out of five named signatories) sign all cheques. The signatories also initial the cheque stubs. The signatories ensure that the cheque agrees with the amount of the invoice and the payee named on the invoice. The Clerk/RFO may not authorise payments. The Council agrees the receipts and payments made for each month.
- At the year end, the ICO will ensure that the cash book totals are reconciled to the year end bank statement and will sign the cash book and the year end bank statement as evidence of this check.

**b. Clerk to the Council/Responsible Financial Officer:**

The Council has appointed a Clerk to the Council who acts as the Council's adviser and administrator. The Clerk is the Council's Responsible Financial Officer (RFO) 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 maintained.

- The duties of the Clerk/RFO are laid down in a Job Description which is reviewed each year. A copy of the Clerk's contract of employment and job description is held by the Chairman and the Clerk. The performance of the Clerk is appraised annually by the Chairman.
- The RFO submits all the requested information to the External Auditor by the required date.
- The RFO arranges for the public notices to be displayed.
- The RFO will retain all relevant documents relating to the financial year for five years (Annual Return, VAT Returns, PAYE/NIC information, Public notices, Asset register, Risk assessment reports; accounts and supporting information).

### **c. Internal Auditor:**

The Council has appointed an independent Internal Auditor who reports to the Council on the adequacy of its:

- records
  - procedures
  - systems
  - internal control
  - regulations
  - risk management
  - reviews
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- The effectiveness of the internal audit is reviewed annually, and the Council agrees the appointment of the Internal Auditor (IA). The IA, who is competent and independent, is advised of the scope of the work required by the Council.
  - The scope of the work (and the fee) of the Internal Audit is reviewed annually and the review and the appointment is minuted.
  - The IA inspects the accounts midyear and at the year end (prior to completion of the Annual Return pages 2 and 3) and completes page 5 of the Annual Return.
  - The IA will write a separate report to the Council (a copy of which is sent to the Chairman) detailing any findings he might have.
  - The report of the IA is copied to all members of the Council and considered as an agenda item at the next meeting. Recommendations from the report are recorded in the minutes.

### **d. External Auditor**

The Council's External Auditors, appointed by the Audit Commission, submit an External Auditor's Report, which is presented to the Council.

### **e. Internal Control Officer**

Internal Control checks cover all financial activities of the Council over the whole of the financial year on a sample basis. Regular activities are included at each quarterly check, with other activities being included at least once a year. Checks are reported to the next Council meeting.

## **Regular Activity Checks**

The ICO inspects at least six payments and receipts during the quarter.

### **Payments are checked as follows:-**

Invoice total matches cheque stub and invoice countersigned by cheque signatories.  
Payment has been advised to the Council and authorised.

### **Receipts are checked as follows:-**

Amount is correct.  
Payment has been banked.  
The receipt has been advised to the Council.

### **Bank Transfers are checked as follows:-**

Amount debited from Building Society account has been credited to Current Account.

## **Control Check Calendar**

Check 1 (first quarter of the financial year) ie April-June  
Check 2 (second quarter of the financial year) ie July-September  
Check 3 (third quarter of the financial year) ie October-December  
Check 4 (fourth quarter of the financial year) ie January-March

## **4. REVIEW OF EFFECTIVENESS**

The Council is responsible 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 and any issues are identified by:

- Full Council – identification of new activities.
- Internal Control Officer – reports made.
- Clerk to the Council/RFO who has responsibility for the development and maintenance of the internal control procedures and managing risks – risks identified.

- Internal Auditor who reviews the Council’s system of internal control. The auditor will make a written report to the Council (in addition to Section 4 Report in the Annual Return) – action arising from reports.
- The Council’s External Auditors, who make the final check using the Annual Return, a form completed and signed by the Responsible Financial Officer, the Chairman and the Internal Auditor. The External Auditor issues an annual audit certificate – action arising from Audit Report.

**5. SIGNIFICANT INTERNAL CONTROL ISSUES**

The significant internal control issues identified during the financial year to 31<sup>st</sup> March 2017 were:

**Action taken was:**

**6. ANNUAL RETURN**

There were matters raised on the Annual Return for the financial year to 31<sup>st</sup> March 2017 which were:

Action to be taken / has been taken is:

This policy was prepared and amended by the clerk, and approved by Scarning Parish Council at its meeting held on 20 March 2017.

The policy will be reviewed in March 2018 and annually thereafter.

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(Chairman)

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(Parish Clerk)

## **Appendix A**

### **Scarning Parish Council**

#### **Annual Internal Control Schedule**

##### **At each Council meeting the Council will:-**

- a. Consider a report of Actual Expenditure Against Budgeted Expenditure, showing all payments and receipts against each budget heading.
- b. Consider Bank Reconciliations made at the end of the relevant calendar month.
- c. Receive reports on any issues or incidents relating to council owned property and agree action as necessary.

##### **At the March meeting, the Council will:-**

- a. Consider and amend (if necessary) its Internal Control Policy.
- b. Review its Standing Orders and Financial Regulations.
- c. Review its Risk Management Policy.
- d. Assess the effectiveness of the Council's Internal Audit arrangements.
- e. Review the effectiveness of the Council's Banking Arrangements.
- f. Consider the Council's Insurance policy and whether an alternative insurance provider should be sought.
- f. Appoint an Internal Control Officer for the current financial year.

##### **At the May meeting, the Council will:-**

- a. Consider a Risk Assessment of Assets report prepared by the clerk. The report includes the Asset Register.
- c. Consider the Internal Auditor's report and formalise any necessary action plan.
- d. Consider and sign the Annual Return.

e. Appoint an Internal Auditor for the current financial year.

**At the June meeting, the Council will:-**

a. Consider a Risk Assessment of Assets report prepared by the clerk. The report includes the Asset Register.

**At the September meeting, the Council will:-**

a. Consider its Pre-Budget discussions.

**At the November meeting, the Council will:-**

a. Consider and approve the Budget and Precept for the next financial year.

**Internal Control Officer's Report**

**CHECK 1** (first quarter of the financial year) ie April-June

1. Please check at least six payments and all receipts

Cheque nos	1.....	Date .....	To Whom.....	Value.....
	2.....	Date.....	To Whom.....	Value.....
	3.....	Date.....	To Whom.....	Value.....
	4.....	Date.....	To Whom.....	Value.....
	5.....	Date.....	To Whom.....	Value.....
	6.....	Date.....	To Whom.....	Value.....

Receipt nos	1.....	Date.....	From.....	Value.....
	2.....	Date.....	From.....	Value.....
	3.....	Date.....	From.....	Value.....
	4.....	Date.....	From.....	Value.....

2. Have the audited accounts for the year been presented to the Council for approval ?  
Yes / No Date of meeting.....

3. Has the Annual Return been presented to the Council ? Yes / No  
Date of meeting.....

4. Has a report from the Internal Auditor been presented to the Council ?  
Yes / No Date of meeting.....

5. VAT Return.  
Has a Return been submitted Yes / No.

6. Has the bank reconciliation been checked against the bank statements ? Yes/No

7. Have any bank transfers been crosschecked ? Yes/No

Any other comments.....  
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Reported to Council Meeting on.....

Signature.....Block Letters.....Date.....



**CHECK 2** (second quarter of the financial year) ie July-September

1. Please check at least six payments and all receipts

Cheque nos	1.....	Date .....	To Whom.....	Value.....
	2.....	Date.....	To Whom.....	Value.....
	3.....	Date.....	To Whom.....	Value.....
	4.....	Date.....	To Whom.....	Value.....
	5.....	Date.....	To Whom.....	Value.....
	6.....	Date.....	To Whom.....	Value.....

Receipt nos	1.....	Date.....	From.....	Value.....
	2.....	Date.....	From.....	Value.....
	3.....	Date.....	From.....	Value.....
	4.....	Date.....	From.....	Value.....

2. Has the bank reconciliation been checked against the bank statements ? Yes/No

3. Have any bank transfers been crosschecked ? Yes/No

4. Is the Council in line with its budget for the financial year ? Yes/No

Any other comments.....  
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Reported to Council Meeting on.....

Signature.....Block Letters.....Date.....

**CHECK 3** (third quarter of the financial year) ie October-December

1. Please check at least six payments and all receipts

Cheque nos	1.....	Date .....	To Whom.....	Value.....
	2.....	Date.....	To Whom.....	Value.....
	3.....	Date.....	To Whom.....	Value.....
	4.....	Date.....	To Whom.....	Value.....
	5.....	Date.....	To Whom.....	Value.....
	6.....	Date.....	To Whom.....	Value.....

Receipt nos	1.....	Date.....	From.....	Value.....
	2.....	Date.....	From.....	Value.....
	3.....	Date.....	From.....	Value.....
	4.....	Date.....	From.....	Value.....
	5.....	Date.....	From.....	Value.....
	6.....	Date.....	From.....	Value.....

2. Has the bank reconciliation been checked against the bank statements ? Yes/No

3. Have any bank transfers been crosschecked ? Yes/No

4. Is the Council in line with its budget for the financial year ? Yes/No

5. Contact three or more individuals/businesses to ensure they received payment of invoices as a check against fraud. Report findings in Check 4.

Any other comments.....  
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Reported to Council Meeting on.....

Signature.....Block Letters.....Date.....

**CHECK 4** (fourth quarter of the financial year) ie January-March

1. Please check least six payments and all receipts

Cheque nos	1.....	Date .....	To Whom.....	Value.....
	2.....	Date.....	To Whom.....	Value.....
	3.....	Date.....	To Whom.....	Value.....
	4.....	Date.....	To Whom.....	Value.....
	5.....	Date.....	To Whom.....	Value.....
	6.....	Date.....	To Whom.....	Value.....

Receipt nos	1.....	Date.....	From.....	Value.....
	2.....	Date.....	From.....	Value.....
	3.....	Date.....	From.....	Value.....
	4.....	Date.....	From.....	Value.....
	5.....	Date.....	From.....	Value.....
	6.....	Date.....	From.....	Value.....

2. Has the bank reconciliation been checked against the bank statements ? Yes/No

3. Have any bank transfers been crosschecked ? Yes/No

4. Is the Council in line with its budget for the financial year ? Yes/No

5. Have three or more individuals/businesses been consulted to ensure they received payment of their invoices ? Yes/No

Any other comments.....  
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Reported to Council Meeting on.....

Signature.....Block Letters.....Date.....