

# Internal Controls

Policy Document – Version 1.0



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# Thurcroft Parish Council

## INTERNAL CONTROL POLICY & CHECKLIST

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### 1. Scope

The Accounts and Audit Regulations 2003 states that a Council shall be responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of the Council's functions, and which includes arrangements for the management of risk.

Thurcroft Parish 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 property accounted for, and used economically, efficiently and effectively.

### 2. Purpose

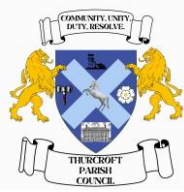
Internal control is designed to reduce financial risk to the Council; The system of internal control is designed to ensure that the Council's activities are carried out properly and as intended. Internal controls are set by the Clerk/Responsible Financial Officer, but it falls to Council members to ensure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

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

The Council appoints a Chairman who is responsible for the smooth running of meetings and for ensuring that all Council decisions are lawful. The Chairman signs all pages of all Full Council minutes.

All decisions made should be within the Standing Orders and Financial Regulations laid down and approved by Full Council.

The Council shall review its obligations and objectives and approve budgets for the following financial year at a meeting during December/January. This meeting will approve all recommendations and level of precept set out by the Financial & General Committee for the following financial year.



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Two Councillors from the Finance & General Committee and signatories on the Bank Mandate must firstly check and sign all cheques and on-line payments where applicable. Signatories will also sign, date, and make a note of the time these checks are made both on the expenditure sheet and the related invoice for payment/cheque.

Council receives a monthly overview of expenditure once the above procedure has taken place. All payments are made in accordance with Standing Orders and Financial Regulation.

Each quarter all Income, Expenditure, Bank Reconciliations, detailed income and expenditure report and VAT claims are checked and the budget for that financial year is monitored. These reports are submitted to Full Council at its next meeting for approval.

At the end of the Financial Year, the Chairman shall ensure that totals are reconciled to the year-end bank statement and shall sign the associated year-end correspondence.

### **ELECTRONIC PAYMENTS**

The legislative reform (Payments by Parish Councils, Community Councils and Charter Trustees) Order 2014 came into effect on 12 March 2015. This legislation enabled Parish Councils to take an overall approach to how it controls its money as well as taking advantage of modern technology including internet banking. Dual authorisation would still be required which does not require cheques.

### **Authorisation**

Authorisation is performed by one staff member who enters the payment and two councillors from the bank mandate who checks the payment before the payment is subsequently authorised and paid.

### **CLERK TO THE COUNCIL AND RESPONSIBLE FINANCIAL OFFICER**

The Council has a Clerk to the Council who acts as the Council's advisor and administrator. The Responsible Financial Officer is responsible for administering the Council's finances which are overseen and reported to Council by The Clerk.



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The Clerk ensures that the Council's procedures, control systems and policies are maintained.

The duties of the Responsible Financial Officer are laid down in a job description which is reviewed each year.

The Responsible Financial Officer submits all the requested information to the External Auditor by the required date.

The Responsible Financial Officer arranges for the public notices to be displayed.

The Responsible Financial Officer will retain all relevant documents related to the financial year for 7 years which include (Annual Return, VAT Returns, PAYE/NI information, Public Notices, Fixed Asset Register, Risk Assessments, Accounts, and relevant supporting information).

### **INTERNAL AUDITOR**

The Council appoints an Independent Internal Auditor who will report to the Council on areas including adequacy of its Records, Procedures, Systems, Internal Control, Regulations, Risk Management and Reviews.

The effectiveness of the internal audit is reviewed every three years, and the Council agrees to the appointment of the Internal Auditor.

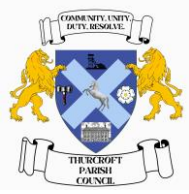
The Internal Auditor inspects the accounts during the current financial year and at the year-end prior to the completion of the Annual Return Statement to the External Auditor.

The Internal Auditor will write a separate report to the Council detailing any findings they might have. This report is also copied to all Councillors and discussed by Full Council as an agenda item.

Recommendations from the report are recorded in the Council minutes.

### **EXTERNAL AUDIT**

The Councils' External Auditors, submit an External Auditors Report which is presented to the Council. Any matters raised on the Annual Return Statement are discussed by the Council with any necessary actions duly recorded.



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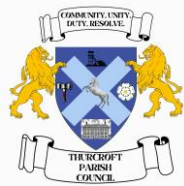
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### REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting regular reviews 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 identified by Full Council, The Clerk to the Council or the Responsible Financial Officer, Internal Auditor and the Councils' External Auditor.



## Thurcroft Parish Council

### INTERNAL CONTROL POLICY & CHECKLIST

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<b>INTERNAL CONTROL CHECKLIST</b>		
<b>CHECKS</b>		
<p><b>Accounting records, ie cash book:</b></p> <p>Is the cash book being kept up to date?</p> <p>Cross reference it with minutes/bank statements/cheque books</p>		
<p><b>Payments:</b></p> <p>Have they all been properly authorised?</p> <p>Are all payments listed in the minutes?</p> <p>Do payments made correspond with the invoiced amounts?</p> <p>Check legitimacy of Direct Debits and Standing Orders</p>		
<p><b>Cheques:</b></p> <p>Are they properly and fully completed before being signed?</p> <p>Are cheque counterfoils always initialled by the signatories?</p> <p>Paid cheques correspond with bank statements? – also check outstanding payments</p>		
<p><b>Receipts:</b></p> <p>Is income due to the council being collected promptly and in full?</p> <p>Are receipts being given?</p> <p>Is income properly controlled pending being paid into the bank? ie in accordance with the council's Financial Regulations?</p>		
<p><b>Allotment rents:</b></p> <p>Rent letter sent out and rents received in a timely matter?</p> <p>Tenancy agreements issued?</p>		
<p><b>Cemetery fees and charges:</b></p> <p>Correctly calculated and collected?</p>		
<p><b>Surplus balances:</b></p> <p>Are surplus deposits placed in a suitable interest-earning bank account?</p>		
<p><b>Bank reconciliation:</b></p> <p>Is the council provided with this information regularly? (monthly)</p>		



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### INTERNAL CONTROL POLICY & CHECKLIST

The monthly reconciliation is checked against bank statements?		
<b>VAT paid:</b> Is it properly recorded in the cash book? Claim for refund of VAT made and paid to the council? Claim properly submitted in a timely manner?		
<b>Ordering of stationary and supplies:</b> Commensurate with the usage requirements of the council?		
<b>Internet banking:</b> Checks implemented by the council being adhered to?		
<b>Petty Cash:</b> Properly controlled and recorded		
<b>Tax and NI liabilities:</b> HMRC liabilities met? P32s checked on the council's HMRC Gateway? Real Time Information reporting done on time? (so as not to incur financial penalties for the council).		
<b>Independent Internal audit reports</b> – presented to full council (or committee as directed) and recommendations acted upon?		
<b>External auditor's report</b> – presented to full council and directives acted upon?		
Names of persons carrying out the check: ..... Signatures: ..... Date check undertaken: .....		