



## **UPLYME PARISH COUNCIL**

### **Internal Financial Controls Policy**

#### **Statement of Intent**

We acknowledge as the members of Uplyme Parish Council that it is our responsibility for ensuring that there is a sound system of internal control of the public finances we hold, including the preparation of the annual accounting statements, in line with the Governance & Accountability guidance.

#### **INTRODUCTION**

Uplyme Parish Council (the Council) is a local authority funded mainly by public money and is responsible for ensuring its financial business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility the Council is also responsible for ensuring that there is 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.

The Council is required to review at least annually the effectiveness of its system of financial control. The review is based on the comments of the internal auditor and Finance Committee, who have responsibility for the development and maintenance of the internal audit environment, and also any comments made by the external auditors in their annual report.

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

The Council's system of internal control is designed to manage financial risk to a reasonable level rather than to eliminate all risk of failure. It cannot provide an absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to policies, aims and objectives, to evaluate the likelihood of those risks being realised, and the impact should they be realised, and to manage them effectively and economically.

Internal controls are set up by the Responsible Financial Officer (RFO) but it is the responsibility of the 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, examination of financial comparisons and the recording of assets and liabilities. It will also include identification and evaluation of risks, to enable risk to be managed efficiently, effectively and economically.

#### **Internal Financial Control**

The Clerk provides a monthly income/expenditure statement to each Parish Council meeting which is approved by members and subsequently minuted. All expenditure is via cheques or electronic transfer and there is no petty cash. Two councillors have to sign each cheque and cheque stub, or approve an electronic transfer before any money can be paid.

The Clerk's salary and expenses sheets are prepared using the HMRC PAYE online system and is checked and approved by two councillors by BACS transfer. Other invoices are similarly initialled by the Chair on a monthly basis.

### **Clerk / RFO's Responsibility**

The Council has appointed a Clerk to the Council who acts as the Council's advisor and administrator. The Clerk is also the Council's Responsible Financial Officer and is responsible for implementing the Council's financial systems and control. The Clerk is responsible for advising on the day to day compliance with laws and financial regulations that the Council is subject to. The Clerk also provides advice to help the Council ensure that its financial procedures, control systems and policies are adhered to. These controls must ensure that:

- income and expenditure are in accordance with budgets.
- payments are made on a timely basis.
- all income that is due is actually received.
- that the fixed asset register is maintained and up to date.
- expenses have been properly authorised.
- the cashbook is maintained on a regular basis and
- the accounts are regularly reconciled with the bank statements.

The Clerk is to present a monthly statement to the Council at their monthly meeting showing the Council's bank balances, payments made and income received and on a quarterly basis, a statement showing the Council's detailed budget compared with the actual expenditure to date.

### **Chair's Responsibility**

It is the Chair's responsibility to:

- carefully scrutinise all invoices and other supporting documents against the list for payments submitted at the Parish Council meeting and to sign those approved.

### **Finance Committee**

A Finance Sub Committee, meets at least twice per year to monitor the current budget and to set the following year's budget and precept. The Finance Committee recommendations are ratified by full council at the following Parish Council meeting and minuted accordingly.

### **Council / Councillors' Responsibility**

It is the Council's responsibility to:

- check to ensure that the cash book (and any other accounting records) is being correctly written up and is accurate.
- check that the bank reconciliation is done regularly.
- check to ensure that all income due is actually received.
- check that the payroll records are up to date.
- check that the financial statements produced to Council agree with the accounting records.

Not every item has to be checked, but sufficient tests should be made to enable the person carrying out the tests to be satisfied that the accounting records are correctly maintained. A log should be kept of all the checks made including 'what, when and by whom' and reported to the Parish Council.

It is recommended that one or more Councillors should undertake these routine checks to ensure that the account books are being kept properly, but that one Councillor should undertake the task for at least a period of six months to ensure continuity.

The internal controls and internal audit should be reviewed annually at a full Council meeting and minuted.

### **Internal Auditor's Responsibility**

The Internal Auditor, who must be independent of the Council, will carry out tests needed to satisfy themselves that the internal controls are adequate and working. They also have to sign the External Audit form and confirm that:

1. Appropriate accounting records have been kept properly throughout the financial year.
2. The authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.
3. The authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.
4. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.
5. Expected income was fully received, based on correct prices, properly recorded, and promptly banked; and VAT was appropriately accounted for.
6. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.
7. Salaries to employees and allowances to members were paid in accordance with the authority's approvals, and PAYE and NI requirements were properly applied.
8. Asset and investments registers were complete and accurate and properly maintained.
9. Periodic and year-end bank account reconciliations were properly carried out.
10. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, were supported by an adequate audit trail from underlying records, and where appropriate debtors and creditors were properly recorded.
11. If the authority certified itself as exempt from a limited assurance review, it met the exemption criteria and correctly declared itself exempt. ("Not Covered" should only be ticked where the authority had a limited assurance review).

The annual report of the independent internal auditor is copied to all members of the Council and considered as an agenda item at the next full council meeting. Recommendations from the report are acted upon and recorded in the minutes.

### **External Audit**

The Council's External Auditors, appointed by the Audit Commission, will submit an External Auditor's Report, which will be presented to the Council. Recommendations from the report are acted upon and recorded in the minutes.

## **REVIEW OF EFFECTIVENESS**

The Council has the responsibility for conducting an annual review of the effectiveness of the system of internal control, which should also include a review of the effectiveness of internal audit.

Recommendations from the annual review are acted upon, the Statement of Internal Controls approved and recorded in the minutes.