

Carbrooke Parish Council

Internal Control Policy for the year ending 31 March 2021

1. Scope of Responsibility

The Accounts and Audit (England) Regulations 2015 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.

Carbrooke 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 Internal Control

a. The Council:

- All decisions made should be in accordance with the Council's Standing Orders and Financial Regulations and approved by the Council.
- At an agreed meeting (usually between November and January) the Council approves the Budget and the level of Precept for the following financial year. The Council has appointed a Budget Committee to prepare a draft Budget for the approval of the full Council.
- 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 the Council's Standing Orders and Financial Regulations.
- In respect of the Council's running costs, two councillors (out of five named signatories) sign all cheques. The signatories initial the cheque stubs and ensure that the cheque agrees with the amount of the invoice and the payee named on the invoice. The Clerk/RFO does not authorise payments. The Council agrees the receipts and payments made for each month.
- At the year end, the ICO ensures 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 and at least one other member of the Council.
- 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 retains 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
- 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 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 writes a separate report to the Council (a copy of which is sent to the Chairman) detailing any findings he/she 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 Auditor, appointed by the Audit Commission, submits 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 three times over the course of the financial year on a sample basis. Regular activities are included at each check, with other activities being included over the course of the year. Checks are reported to the next Council meeting.

Regular Activity Checks

The ICO inspects at least six cheque payments, two Direct Debit payments against the relevant payment record and receipts (where appropriate) during the relevant check.

Payments are checked as follows:-

Invoice total matches cheque stub and invoice countersigned by cheque signatories. Direct Debit and Standing Orders payments have been correctly deducted.
Payment has been advised to the Council and authorised.

Receipts are checked as follows:-

The amount is correct.
The payment has been banked.
The receipt has been advised to the Council.

Bank Transfers are checked as follows:-

Amount debited from the Savings account or other account has been credited to the Council's Current Account.

Control Check Calendar

Check 1 April-July

Check 2 August-November

Check 3 December-March

4. Bank Accounts

The Council holds the following bank accounts:

Barclays Current Account:

Barclays Savings Account:

Scottish Widows (Blenheim Grange Maintenance Account):

Lloyds Bank (Blenheim Grange Maintenance Account):

Unity Trust Bank (Blenheim Grange Maintenance Account):

5. Procedures to Detect and Prevent Fraud

a. Two of the five signatories sign each cheque (Barclays Current Account). 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. All expenditure is supported by invoices or other evidence, e.g. receipts.

b. The Clerk is not a signatory and cannot transfer funds between the Council's accounts. This is on the authority of the signatories to the accounts. Two of the five signatories are needed to make transactions on the Blenheim Grange Maintenance Accounts

c. Receipts and payments are entered into the Cash Book and reconciled to the bank statement monthly. The figures are independently verified by the Internal Control Officer.

d. The Internal Control Officer makes quarterly checks of the Council's accounts.

6. 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.

7. Significant Internal Control Issues

There were no significant internal control issues identified during the financial year to 31st March 2019:

Action taken: N/a

8. ANNUAL RETURN

There were no matters raised on the Annual Return for the financial year to 31st March 2019:

Action taken: N/a

March 2020

The policy will be reviewed in March 2021.

Carbrooke 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. Assess the effectiveness of the Council's Internal Audit arrangements.
- b. Review the effectiveness of the Council's Banking Arrangements.
- c. Review its Risk Management Policy.
- d. Review its Internal Control Policy.

At the May meeting, the Council will:-

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

In October/November, the Budget Working Party will:-

- a. Prepare and prepare a Draft Budget for the forthcoming financial year.

At the November meeting, the Council will:-

- a. Consider its Pre-Budget discussions and the Draft Budget. The Council will approve the Budget and Precept for the next financial year by no later than its January meeting.

Internal Control Officer's Report

CHECK 1 (April-July)

1. Please check at least three payments and all receipts from the Current Account

Cheque nos	1	Date	To Whom.....	Value.....
	2	Date.....	To Whom.....	Value.....
	3	Date.....	To Whom.....	Value.....

1.1 Please check at least three payments from the Commuted Sum Account

1	Date.....	To Whom.....	Value.....
2	Date.....	To Whom.....	Value.....
3	Date.....	To Whom.....	Value.....

1.2 Please check Direct Debit Payments

1	Date.....	To Whom.....	Value.....
2	Date.....	To Whom.....	Value.....

1.3 Please check any receipts (as applicable)

1	Date.....	From.....	Value.....
2	Date.....	From.....	Value.....

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

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

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

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

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

Any comments

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Findings of the Inspection reported to the Parish Council on

Signature.....Block LettersDate.....

CHECK 2 (August- November)

1. Please check three payments and all receipts from the Current Account

Cheque nos 1 Date To Whom..... Value.....
2 Date..... To Whom..... Value.....
3 Date..... To Whom..... Value.....

1.1 Please check three payments from the Commuted Sum Account

1 Date..... To Whom..... Value.....
2 Date..... To Whom..... Value.....
3 Date..... To Whom..... Value.....

1.2 Please check Direct Debit Payments

1 Date..... To Whom..... Value.....
2 Date..... To Whom..... Value.....

1.3 Please check any receipts (as applicable)

1 Date..... From..... Value.....
2 Date..... From..... Value.....

- 2. Has the bank reconciliation been checked against the bank statements ? Yes/No
- 3. Has the Annual Return been submitted to the External Auditor? Yes / No
- 4. Have any bank transfers been crosschecked ? Yes/No
- 5. Is the Council in line with its budget for the financial year ? Yes/No

Any comments

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Findings of the Inspection reported to the Parish Council on

Signature.....Block LettersDate.....

CHECK 3 (December-March)

1. Please check three payments and all receipts from the Current Account

Cheque nos 1 Date To Whom..... Value.....
2 Date..... To Whom..... Value.....
3 Date..... To Whom..... Value.....

1.1 Please check three payments from the Commuted Sum Account

1 Date..... To Whom..... Value.....
2 Date..... To Whom..... Value.....
3 Date..... To Whom..... Value.....

1.2 Please check Direct Debit Payments

1 Date..... To Whom..... Value.....
2 Date..... To Whom..... Value.....

1.3 Please check any receipts (as applicable)

1 Date..... From..... Value.....
2 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 comments

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