

Pulborough Parish Council: Internal Control Policy

For the year ending 31st March 2018

1. SCOPE OF RESPONSIBILITY

The Accounts and Audit Regulations 2015 state 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.

Pulborough 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. 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.

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 RFO but it falls on 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, the examination of financial comparisons, the recording of assets, the identification of risk, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage risks efficiently, effectively and economically.

3. PERSONNEL INVOLVED WITH THE INTERNAL CONTROL ENVIRONMENT

3.1. The Council:

The Council has appointed a Chairman who is responsible for the smooth running of meetings and for ensuring that all Council decisions are lawful.

- The Chairman of the meeting signs the last page of the minutes and initials all other pages.
- Decisions made should be within the Standing Orders and Financial Standing Regulations laid down and approved by the Council.
- The Council reviews its obligations and objectives and approves budgets for the following year at its November meeting. The November or January meeting of the Council approves the level of precept for the following financial year.
- The Finance & Policy Committee receives a monthly financial statement which it approves at its Committee meetings.
- Payments are made in accordance with Standing Orders and Financial Standing Regulations.
- Two councillors (of those named signatories) must sign all cheques. The signatories will also initial the cheque stubs and invoices. The signatories will 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: Council will agree the receipts and payments made for each month.

- At every meeting (at least once each quarter), the Finance & Policy Committee shall ensure that the Bank Reconciliation totals are reconciled to the month-end bank statement and the Chairman of the Committee shall initial the corresponding Bank statement as evidence of this check .
- At the April Finance & Policy Committee Meeting, the Committee shall ensure that the Bank Reconciliation as at 31st March totals are reconciled to the year-end bank statement and the Chairman of the Committee shall initial the corresponding Bank statement as evidence of this check.
- At the end of each quarter, a group of councillors, as agreed at the previous Finance & Policy Committee will carry out a review of the internal controls (see Appendix A)

3.2. Clerk to the Council / 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 maintained and adhered to.

- The duties of the Clerk/RFO are laid down in a Job Description which is reviewed each year.
- 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 six years (Annual Return, VAT Returns, PAYE/NIC information, Public notices, Fixed Asset register, Risk assessments, accounts and supporting information).

3.3. Internal Auditor

The Council appoints an independent Internal Auditor, who will report to the Council on the adequacy of its records, procedures, systems, internal control, regulations, risk management and reviews.

- The effectiveness of the internal audit is reviewed annually, after the half year inspection, and the Council agrees to the appointment of the Internal Auditor. The Internal Auditor, who is competent and independent, is advised of the scope of the work required by the Council
- The scope of the work (and the charge) of the IA is reviewed annually and the review and the appointment is minuted.
- The IA will inspect the accounts twice during the financial year; at the half year and year-end (prior to completion of the Annual Return pages 2 and 3) and will complete 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 they might have.
- The report of the IA is copied to all members of the Council and considered as an agenda item at the next Finance & Policy Committee meeting. Recommendations from the report will be recorded in the minutes.

3.4. External Auditor

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

4. 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 and any issues identified by:

- Full Council – identification of new activities
- Clerk to the Council/RFO who has responsibility for the development and maintenance of the internal control environment 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 RFO, the Chairman and the Internal Auditor. The External Auditor issues an annual audit certificate – action arising from Audit Report
- Council meetings and on-going business – significant issues that are raised during the year

5. SIGNIFICANT INTERNAL CONTROL ISSUES

The significant internal control issues identified by IA during the financial year to 31st March 2018 were: None on interim report, dated 14.11.18. Minor issues raised, which were reviewed by the F&P Committee on 25.01.18, min. no 74. Final audit booked for 8th June 2018.

6. EXTERNAL AUDIT OPINION

Matters raised on the Annual Return for the previous financial year to 31st March 2017: NONE

Ratified by Pulborough Parish Council on 17.05.18

Update of Policy due March 2019

Chairman

Clerk

Date:

Appendix A

Pulborough Parish Council

		30/06/18		30/09/18		31/12/18		31/03/19
Cheque amount agree with invoices	Yes/No		Yes/No		Yes/No		Yes/No	
Cheque stubs initialled by signatories x 2	Yes/No		Yes/No		Yes/No		Yes/No	
Invoices initialled by two signatories	Yes/No		Yes/No		Yes/No		Yes/No	
All cheques and invoices agreed and signed at Council/Committee meetings								
Cheque number written on invoice	Yes/No		Yes/No		Yes/No		Yes/No	
Monthly bank reconciliations completed	Yes/No		Yes/No		Yes/No		Yes/No	
Income banked in timely manner	Yes/No		Yes/No		Yes/No		Yes/No	
VAT reclaim completed quarterly	Yes/No		Yes/No		Yes/No		Yes/No	
Quarterly comparisons of income and expenditure completed and reviewed by F&P Committee								
Salary amounts agree with council approved amounts	Yes/No		Yes/No		Yes/No		Yes/No	

Reviewer Q1 : Name Signed Date

Reviewer Q2 : Name Signed Date

Reviewer Q3 : Name Signed Date

Reviewer Q4 : Name Signed Date