

Wirksworth Town Council



Internal Controls Policy

Policy – Adopted 21/09/15

Minute FBP038/15 & C073/15

This policy will be reviewed annually
at the Annual Town Council Meeting

Policy Statement

Wirksworth Town Council are responsible for ensuring that its public business is conducted within the law and proper standards and that public money is used efficiently, economically and effectively.

In order to achieve this, the Council acknowledges that they are 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 (appendix4).

Purpose of Internal Control

The Council's system of internal control is designed to ensure that their activities are carried out properly and as intended. They are set up by the Town Clerk, however it falls upon Council members to ensure that they have a degree of control and that the effectiveness of the system is reviewed at least annually. It provides reasonable but not absolute assurance of effectiveness.

Current advice regarding these controls is set out in 'Governance and Accountability in Local Councils: A Practitioners' Guide (2011 edition)' extracts of which can be found elsewhere in this document.

Appropriate action is in place to address any weaknesses identified and to ensure the continuous improvement of the system.

Internal Control environment

The Council

The Council has appointed a Chairperson who is responsible for the smooth running of meetings and for ensuring that all Council decisions are lawful. The Chairperson signs the last page of the minutes and initials all other pages. Full Council meets approximately 11 times a year.

The Council uses MS Excel software to maintain its accounts (migrating to Scribe from 1st April 2019) and Sage software to run its payroll. It uses Local Council Risk System software to manage its risks. Banking services are provided by Lloyds Bank and an internal audit service by Mr B Woodcock. The Council monitors transactions and procedures by way of its Finance, Buildings & Personnel Committee. The External Audit is undertaken by PKF-Littlejohn.

The Town Clerk, on behalf of the Council, carries out regular risk assessments in respect of actions and regularly reviews its systems and controls.

Payments are made in accordance with Standing Orders and Financial Regulations and are paid by the following methods:

- cheque requiring two signatures.
- Direct Debit/Standing Order
- Debit Card (held by the Clerk and subject to a separate procedure)

All payments are listed monthly and are agreed at meetings of the Full Council.

Council Committees

The Council operate a Committee structure, using working parties to investigate specific issues.

There are currently two Committee's each meeting approximately 11 times per year. Each Committee has appointed a Chairperson who is responsible for the smooth running of meetings and for ensuring that all Council decisions are lawful. The Chairperson signs the last page of the minutes, initialling all other pages.

The Council's Finance, Buildings & Personnel Committee regularly monitors budgets and financial systems and reports directly to the Council as they have no delegated powers.

The Finance, Buildings & Personnel Committee approves a monthly financial which tracks monthly expenditure against budget.

The budget is recommended by the Committee for ratification by Full Council, usually in December, following a review of the Council's objectives and obligations. From this the precept is set.

On a quarterly basis, the Chairperson ensures that the cash book totals are reconciled to the bank statement and initials documents to evidence the check.

Council's 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.

Staff

The Council has appointed a Town Clerk who acts as the Council's advisor and administrator (the Proper Officer). The Clerk also acts as the Responsible Financial Officer to maintain and oversee the Council's financial affairs. In addition, there are 5 other staff (2 Office and 3 Caretakers). All staff are part-time and have contracts and job description.

Internal Audit

An independent internal auditor is appointed and carries out such checks as are needed to satisfy themselves that the internal controls are adequate and working (appendix 1).

The effectiveness of the internal audit is reviewed annually and the Council agrees to the appointment of the internal auditor. The Auditor, who is competent and independent (appendix 2), is advised of the scope of the work to be carried out.

The report and any recommendations of the internal auditor are presented to Council and agreed actions are monitored to ensure that they have been carried out and auctioned within the agreed timescale.

The Council seeks and receives appropriate property, legal, insurance and health and safety advice to manage risk.

External Audit

The Council's External Auditors, currently PKF-Littlejohn, submit an annual Certificate of Audit, which is presented to the Council.

Review of Effectiveness

The Council has responsibility for conducting an annual review of the effectiveness of the system of internal control (appendix 3) which is informed by:

- The Full Council
- The Finance, Buildings and Personnel Committee
- The Town Clerk and Responsible Financial Officer
- The independent Internal Auditor
- The External Auditor
- Any significant issues that are raised during the year

APPENDIX 1

INTERNAL AUDIT SERVICE FOR WIRKSWORTH TOWN COUNCIL

AUDIT PROGRAMME – 201x/1x

I certify that I have carried out the tests detailed below in accordance with the suggested approach contained in the 2010 edition of “Governance and Accountability in Local Councils in England and Wales – A Practitioners Guide”. Where an entry has been made in column 4 the supporting Working Papers are attached.

Signed.....Date.....

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1 Internal Control	2 Tests	3 Initial if Yes	4 W/P Reference	5 Comments
Previous Internal Audit Report	Do the minutes record that Council has considered the Internal Audit Report for the previous year and the matters arising addressed?			
Proper bookkeeping	Is the cashbook maintained and up to date?			
	Is the cashbook arithmetically correct?			
	Is the cashbook regularly balanced?			
Standing Orders and Financial Regulations	Has the Council formally adopted Standing Orders and Financial Regulations?			
	Has a Responsible Financial Officer been appointed?			
	Have items or services above a de minimis amount been competitively purchased?			
	Are payments in the cashbook supported by invoices and have they been authorised and minuted?			
	Has VAT on payments been identified, recorded and reclaimed?			

	Is Section 137 expenditure separately recorded and within statutory limits?			
1 Internal Control	2 Tests	3 Initial if Yes	4 W/P Reference	5 Comments
Risk Management Arrangements	Does a scan of the minutes identify any unusual activity?			
	Do the minutes record the Council carrying out an annual risk assessment?			
	Is insurance cover appropriate and adequate?			
	Are internal financial controls documented and regularly reviewed?			
Budgetary Controls	Has the Council prepared an annual budget in support of its precept?			
	Is actual expenditure against the budget regularly reported to Council?			
	Are there any significant unexplained variances from budget?			
Income Controls	Is income properly recorded and promptly banked?			
	Does the precept recorded in the cashbook agree to the District Council's notification?			
	Are security controls over cash adequate and effective?			
Petty Cash Procedures	Is all petty cash spent recorded and supported by VAT invoices/receipts?			
	Is petty cash expenditure reported to Council?			
	Is petty cash reimbursement carried out regularly?			

1 Internal Control	2 Tests	3 Initial if Yes	4 W/P Reference	5 Comments
Payroll Controls	Do salaries paid agree with those approved by Council?			
	Are other payments to the Clerk reasonable and approved by Council?			
	Has PAYE/NIC been properly operated by the Council as an employer?			
Assets Controls	Does the Council keep an Assets Register of all material assets owned?			
	Is the Register up to date?			
	Do asset insurance valuations agree with those in the Register?			
Bank Reconciliation	Is there a bank reconciliation for each bank account?			
	Is the bank reconciliation carried out regularly on the receipt of statements?			
	Are there any unexplained balancing entries in any reconciliation?			
Year-End Procedures	Are year-end accounts prepared on the correct accounting basis?			
	Do accounts agree with the cashbook?			
	Is there an audit trail from underlying financial records to the accounts?			
	Where appropriate, have debtors and creditors been properly recorded?			

APPENDIX 2

Independence of Internal Audit

INDEPENDENCE		COMPETENCE		RELATIONSHIPS		REPORTING	
Internal Audit has direct access to those charged with governance?	Yes	Understanding of basic accounting processes?	Yes	All responsible officers (the Clerk and RFO) are consulted on the internal audit plan?	Yes	The annual audit plan properly takes account of all the risks facing the council?	Yes
Reports are made in own name to management?	Yes	Understanding of the role of internal audit in reviewing systems rather than undertaking detailed checks that are more appropriately the responsibility of management?	Yes	Respective responsibilities for officers and internal audit are defined in relation to internal control, risk management and fraud and corruption matters (job descriptions and engagements letters)	Yes	The annual audit plan has been approved by the Council?	Yes
Internal Audit does not have any other role within the Council?	No other role	Awareness of risk management issues?	Yes	The Responsibilities of Council members are understood; training of members is carried out as necessary	Yes	Internal audit has reported in accordance with plan?	Yes
		Understanding of accounting requirements and the legal framework and powers of local councils?	Yes				

APPENDIX 3

Effectiveness of Internal Audit

EVIDENCE		
Internal audit work is planned	Planned internal audit work is based on risk assessment and designed to meet the council's needs.	Yes
Understanding the whole organisation its needs and objectives	The annual audit plan demonstrates how audit work will provide assurance for the council's Annual Governance Statement	Yes
Be seen as a catalyst for change	Internal audit supports the council's work in delivering improved services to the community	Yes
Add value and assist the organisation in achieving its objectives	The council makes positive responses to internal audit's recommendations and follow up with action where this is called for	Yes
Be forward looking	In formulating the annual audit plan, national agenda changes are considered.	Yes
	Internal audit maintains awareness of new developments in the council's services, risk management and corporate governance arrangements.	Yes
Be challenging	Internal audit focuses on the risks facing the council	Yes
	Internal audit encourages managers/members to develop their own responses to risks, rather than relying solely on audit recommendations.	Yes
Ensure the right resources are available	Adequate resource is made available for internal audit to complete its work. Internal audit understands the council and the legal and corporate framework in which it operates.	Yes

APPENDIX 4

MANAGEMENT OF RISKS

RISK	CONTROL		
	INSURANCE	WORKING WITH OTHERS	SELF MANAGEMENT
Protection of physical assets	<input checked="" type="checkbox"/>	Internal Audit testing (independent and in-house) Internal Audit testing (independent and in-house)	<ul style="list-style-type: none"> • Assets register • Regular maintenance arrangements • Annual review of risk and adequacy of cover • Ensure robustness of insurance providers • Standing orders and financial regulations • Regular reporting • Annual Review of Contracts • Clear management statements • Regular scrutiny of performance against targets • Adoption of and adherence to codes of practice for procurements and investment • Arrangements to deter and detect fraud and/or corruption • Regular bank reconciliation, independently reviewed
Damage to third party property or individuals as a consequence of the provision of services or amenities	<input checked="" type="checkbox"/>		
Loss of income or the need to provide essential services following critical damage, loss or non- performance by a third party	<input checked="" type="checkbox"/>		
Loss of cash through theft or dishonesty	<input checked="" type="checkbox"/>		
Legal liability as a consequence of asset ownership	<input checked="" type="checkbox"/>		
Security of vulnerable buildings, amenities or equipment	<input checked="" type="checkbox"/>		
Maintenance for vulnerable buildings, amenities or equipment	<input checked="" type="checkbox"/>		
Provision of services carried out under partnership agreements	<input checked="" type="checkbox"/>		
Banking arrangements, borrowing or lending	<input checked="" type="checkbox"/>		
Provision of amenities / facilities for events to local community groups	<input checked="" type="checkbox"/>		
Vehicle or equipment lease or hire	<input checked="" type="checkbox"/>		
Professional services	<input checked="" type="checkbox"/>		

MANAGEMENT OF RISKS (continued)

SELF MANAGEMENT OF RISK	Internal Audit
Regular scrutiny of financial records and proper arrangements for the approval of expenditure	<ul style="list-style-type: none"> • Review of internal controls in place and their documentation • Review of minutes to ensure legal powers in place, recorded and correctly applied • Testing of income and expenditure from minutes to cashbook, from bank statements to cashbook, from made or received minutes to statements etc. including petty cash transactions • Review and testing of arrangements to prevent and detect fraud and corruption • Testing of disclosures • Testing of specific internal controls and reporting findings to management
Recording in the minutes the precise powers under which expenditure is being approved	
Regular returns to HM Revenue and Customs; contracts of employment for all staff, annually reviewed by the Council, systems of updating records for any changes in relevant legislation	
Regular returns of VAT; training the responsible officer in matters of VAT and other taxation issues as necessary	
Regular budget monitoring statements	
Developing systems of performance measurement	
Procedures for dealing with an monitoring grants or loans	
Minutes properly numbered and paginated with a master copy kept in safekeeping	
Documented procedures to deal with enquiries from the public	
Documented procedures to deal with responses to consultation requests	
Documented procedures for document receipt, circulation, response handling and filing	
Procedures in place for recording and monitoring Members' interests and Gifts and Hospitality received	
Adoption of codes of conduct for members and employees	