



## Bingham Town Council

### Statement of Internal Control and Annual Review of Effectiveness of Internal Control

#### 1.0 **Overview**

- 1.1 Regulation 4 of the Accounts and Audit Regulations, 2003 as amended, imposes a duty on local councils to ensure “that the financial management of the body is adequate and effective and that the body has a sound system of internal control.”
- 1.2 Local councils are required, at least once a year, to conduct, in accordance with proper practices, a review of the effectiveness of its system of internal control. The Town Council is required to sign the Annual Governance Statement (on the Annual Return submitted to the external auditor) to evidence that this review has been undertaken.
- 1.3 In order for the Town Council to review the effectiveness of the internal control system there needs to be clarity on the internal controls in place.
- 1.4 Some internal controls are listed in the Financial Regulations document, but the system of controls goes beyond this. A Statement of Internal Controls has therefore been prepared and this is included following this report.

#### 2.0 **RECOMMENDATION**

- 2.1 That the Town Council consider the attached Statement of Internal Controls, reviewing it to consider whether the controls currently in place are effective.

The following statement of internal control was considered by Bingham Town Council at its meeting of 01 May 2018 and approved by the Town Council as a true statement of the course of events undertaken by the Town Clerk/RFO.

Minute Reference: 10e

## Statement of Internal Control

### Financial Regulations & Standing Orders

- The Parish Council has adopted Financial Regulations and Standing Orders, based on the model versions prepared by NALC/SLCC. The Financial Regulations and Standing Orders are reviewed for continued relevance at least annually and amended where necessary by the Responsible Financial Officer with any proposed amendments subject to approval by the Town Council.

### Budgetary controls

- The budget is prepared by the Town Clerk and presented to the Policy and Resources Committee and then approved by Full Council, as evidenced by reports and minutes in advance of the start of the financial year.
- The precept is set on the basis of the budget and submitted in advance of the deadline set by Rushcliffe Borough Council.

### Order/Tender controls

- The Financial Regulations list the number of estimates, quotes or full tenders that must be invited depending on the value and nature of the work.
- Official orders/letters are issued to suppliers for services which are not regular in nature.

### Payment controls

- Depending on the nature of the supply, the Responsible Financial Officer or Deputy Clerk checks the purchase invoice to indicate that the supply has been received, that the supply has not previously been paid and that the invoice calculations are correct.
- Purchase orders/emails/letters ordering the work are matched to purchase invoices where applicable.
- Payment processing is checked by two members of staff.
- Payments will be listed in cheque number order in the accounts files.
- Payments over £2,000 (exclusive of VAT) to be identified separately for payment approval so that a corresponding minute is recorded.
- All invoices for payment are listed on the report tabled at the Policy and Resources Committee meeting where the expenditure is to be verified for payment.
- Payments are subject to scrutiny at the Policy and Resources Committee meeting
- Payments made are included in the minutes of the Policy and Resources Committee meeting.

- Original invoices are available to the Councillors signing the cheques and also available to other Councillor members to view.
- Cheques will be signed by two Councillors, who are authorised to sign on the Town Council's bank mandate.
- The Responsible Financial Officer and Deputy Clerk are authorised to transfer funds from one Town Council account to another Town Council account.
- The Responsible Financial Officer maintains control of the cheque book at all times, cheques will only be issued and signed for payments approved in Council meetings except for special circumstances whereby two Councillors from the bank mandate have authority to sign.
- When invoices are paid by cheque, they are with identified by the cheque number and referenced in the cashbook by the cheque number. This is cross checked with the bank statements.
- Changes to bank account details of suppliers are checked before being acted upon.
- On-line payments made via Bankline are restricted to the Responsible Financial Officer or Deputy Clerk.
- The Town Council maintains a petty cash float in accordance with its Financial Regulations.
- The petty cash float is reconciled every month and is part of the banking reconciliation reports sent to Policy and Resources Committee meetings for approval and reported to Full Council.

#### Income controls

- The Responsible Financial Officer ensures that precept amount received is correct in accordance with the precept demand made to Rushcliffe Borough Council.
- The Responsible Financial Officer ensures that the precept instalments are received when due.
- The Responsible Financial Officer ensures that other receipts (deposit interest, room hire charges, leases, sports rental, wayleaves and cemetery fees) are received when due and correctly calculated.
- Receipts are issued for cash received and a copy kept.
- Income is banked promptly.

#### VAT repayment claims

- The Responsible Financial Officer ensures that all invoices are addressed to the Town Council.

- The Responsible Financial Officer ensures that proper VAT invoices are received where VAT is payable.
- The Responsible Financial Officer maintains a VAT account to show that the correct amount of VAT is reclaimed in the year.
- VAT is reclaimed on a quarterly basis.

#### Payroll controls

- Staff contracts are prepared by the Town Clerk and agreed by the Policy and Resources Committee and approved by Full Council. They are reviewed and amended where necessary by the Town Clerk and approved by the Council.
- The Town Clerk's contract is prepared by the Town Clerk with the direct involvement of at least two members of the Policy and Resources Committee. The Policy and Resources Committee to agree the contract with approval being sought from Full Council.
- All employees are paid under PAYE as an employee and the necessary system for HMRC RTI is in place.
- All employees' salaries are set by the Town Council and a minute is prepared to show the agreed salary.
- Salaries are paid by bank transfer.
- The Responsible Financial Officer will ensure that all the necessary payroll returns are made to HMRC and will retain evidence that this has been done.

#### Staff expenses

- Staff submit a request for reimbursement of monies owing by way of an expense account. The Town Clerk will approve the reimbursement of the monies owed which will then be included in the accounts for payment schedule sent to Policy and Resources Committee meeting for approval.
- The expenses cover any out of pocket expenses as well as motoring expenses as laid down by joint SLCC/NALC guidelines.
- Expenses are paid by bank transfer with the salary.

#### Cash Book/Bank Reconciliations

- The cash book is kept electronically, maintained up to date from original documents (cash received, invoices, payments (standing orders, direct debits and bank transfers) made and cheques as they are prepared).
- The cash book is reconciled to the bank statement monthly.

- Reconciled accounts are presented at every cycle of the Policy and Resources meeting for reference.
- The bank reconciliation is reported to Full Council.
- The latest financial position and movements of the Town Council can be traced back to the expenditure approved at previous meetings.

#### Financial reporting

- A budget control, comparing actual receipts and payments to the budget is prepared on a quarterly basis and presented to the Policy and Resources Committee meeting.

#### Asset Control

- The Responsible Financial Officer maintains a full asset register.
- The existence and condition of assets is checked on an annual basis by the Town Clerk.
- The adequacy of insurance of the Parish Council's assets is considered annually in advance of the insurance renewal.

#### Risk Assessment

- A Risk Assessment is carried out annually by the Town Clerk and presented to the Resources and Policy Committee meeting where it is recommended for approval and minuted as approved by the Council.

#### Payments made under section 137 of the 1972 LGA ("The Free Resource")

Bingham Town Council has the General Power of Competency, if this power lapses the Town Council will return to operating payments under S.137 as instructed below.

- A separate s137 account will be maintained
- The Responsible Financial Officer will calculate the maximum amount of s137 expenditure able to be made each year and will ensure that it is not exceeded. The amount will be confirmed to the Town Council.
- The corresponding legal power will be identified in advance of any expenditure.
- Where requests for expenditure from s137 are made, it will be made clear at the Policy and Resources meeting where the payment is to be approved.
- A minute authorising expenditure from s137 will be recorded on each occasion.

## Internal Audit

- The current cycle of internal audit review is on an annual basis following the end of the financial year.
- The internal auditor produces a written report after completion of their audit review which will highlight any deficiencies in the internal controls and make recommendations or confirming that the Town Council's internal controls are sufficiently robust.
- This report will be considered by Full Council with approved recommendations being implemented at the earliest opportunity.
- The Town Clerk will keep the Policy and Resources Committee updated on the adoption of the auditor's recommendations.