



# INTERNAL CONTROL POLICY

Last review June 2021

## [Abstract](#)

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives

# WINKLEIGH PARISH COUNCIL INTERNAL CONTROL POLICY

This procedure is a document that sets out Winkleigh Parish Councils approved and agreed practices. Any deviation must be by resolution of the full Council.

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## INTERNAL CONTROL POLICY FOR THE FINANCIAL YEAR ENDING 31st MARCH 2021

### 1. SCOPE OF RESPONSIBILITY

#### The Accounts and Audit Regulations 2015, Regulation 3 states

The Council must ensure that it has a sound system of internal control which

- a) facilitates the effective exercise of its functions and the achievement of its aims and objectives.
- b) ensures that the financial and operational management of the authority is effective; and
- c) includes effective arrangements for the management of risk.

Winkleigh Parish Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards/practices as directed by the Joint panel on Accountability and Governance (JPAG), 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

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

The system of internal control will be in place at the Council for the year ended 31 March 2022 and accords with proper practice as set out in the Practitioners' Guide *Governance and Accountability in Local Councils* (2021 Edition). It will be reviewed in March 2022

### 3. PERSONNEL INVOLVED WITH THE INTERNAL CONTROL ENVIRONMENT

#### 3.1 The Council:

- a) 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.
- b) Decisions and actions made will be within the Standing Orders and Financial Regulations laid down and approved by the Council.
- c) The Council reviews its obligations and objectives and approves budgets for the following year at its November meeting. The November meeting of the Council approves the level of precept for the following financial year. In exceptional circumstances, this can be delayed until January.
- d) The Council receives a monthly financial statement, incorporating all payments and receipts made and received since the last meeting, the bank reconciliation and break down of balances in each bank account. All invoices are presented for verification and signature by 2 Councillors with a copy of the financial statement. The bank statements are provided with the bank reconciliation for verification and signature by 2 Councillors, which the full Council resolves to

INTERNAL CONTROL POLICY

approve at each meeting. All Payments are made in accordance with Standing Orders and Financial Regulations.

- e) Two councillors must sign all cheques. The signatories will also initial the cheque stubs. The signatories will ensure that the cheque agrees with the amount of the invoice and the payee named on the invoice.
- f) Two councillors must sign the schedule of online payments presented at the pcm as part of the financial statement for online banking. The signatories will ensure that the amount of the invoice matches the amount on the schedule for payment. Two Councillors will check and sign the schedule against the online bank account at the agenda meeting each month to ensure no unauthorised transactions have taken place.
- g) The Clerk / RFO may only authorise payments in accordance with Clerks Delegations and Financial Regulations if not pre-approved at a previous meeting.
- h) At the year end, the Chairperson shall ensure that the cash book totals are reconciled to the year-end bank statement and shall sign the cash book and the yearend bank statement as evidence of this check.

### **3.2 Clerk to the Council / Responsible Financial Officer:**

The Council has appointed a Clerk to the Council who acts as the Council's legal advisor and Manager. 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 polices are maintained. The duties of the Clerk / RFO are laid down in a Job Description, and the Clerks Delegations, which are reviewed each year.

- a) The RFO submits all the requested information to the External Auditor by the required date
- b) The RFO arranges for the public notices to be displayed
- c) The RFO will retain all relevant documents relating the financial year for 10 years (Annual Return, VAT Returns, PAYE/NIC information, Public notices, Fixed Asset register, Risk assessments; accounts and supporting information)

### **3.3 Internal Auditor**

- a) The Council has appointed an Independent Internal Auditor who will report to the Council on the adequacy of its:
  - Records
  - procedures
  - systems
  - internal control
  - regulations
  - risk management
  - reviews
- b) The effectiveness of the internal audit is reviewed annually, 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.
- c) The scope of the work (and the charge) of the IA is reviewed annually and the review and the appointment is minuted.
- d) The IA will inspect the accounts at the yearend (prior to completion of the Annual Return pages and will complete the IA report of the Annual Return
- e) The IA will write a separate report to the Council (a copy of which is sent to the Chair) detailing any findings they might have.
- f) 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 will be recorded in the minutes.

INTERNAL CONTROL POLICY

### 3.4 External Audit:

The Council's External Auditors, appointed by the Audit Commission, submit an External Auditor's Report, which is presented to the Council and Minuted.

## 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:

- a) Full Council – identification of new activities
- b) Clerk to the Council / Responsible Financial Officer who has responsibility for the development and maintenance of the internal control environment and managing risks – risks identified
- c) Internal Auditor who reviews the Council's system of internal control. The auditor will make a written report to the Council detailing action arising from reports
- d) 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 Chair and the Internal Auditor. The External Auditor issues an annual audit certificate – action arising from Audit Report.

## 5. SIGNIFICANT INTERNAL CONTROL ISSUES

The significant internal control issues identified during the financial and internal audit year to 31<sup>st</sup> March 2021 were:

No Matters of Concern

*"it is my opinion [internal auditor] that proper practices have been followed and that the Council has robust systems of internal control in place so as to support the lowering of risk. The only issue found was in connection with the exercise of public rights form, as already highlighted by the External Auditor, and I would recommend that the completion of the form is double checked by the Council this year to ensure that the requirements have been met. I would like to add that I found the Clerk's work to be of a very high standard"*

## 6. EXTERNAL AUDIT OPINION

*There were no significant matters raised on the Annual Return for the financial year to 31<sup>st</sup> March 2020*

***The following 'other' matter below have now been addressed***

*The AGAR has not been signed in accordance with the Accounts and Audit Regulations 2015: - Section 2 was not signed by the Responsible Finance Officer before approval. We note that the smaller authority did not comply with Regulation 15 of the Accounts and Audit Regulations 2015 as amended by SI 2020/404 the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 as it failed to make proper provision during the year 2020/21 for the exercise of public rights, since the notice regarding the period for the exercise of public rights was not published before the start of the period. As a result, the smaller authority must answer 'No' to Assertion 4 of the Annual Governance Statement for 2020/21 and ensure that it makes proper provision for the exercise of public rights during 2021/22.*

### Explanation

INTERNAL CONTROL POLICY

The AGAR Section 2 is dated incorrectly and should read 20.06.20 and not 20.07.20 – this is evidenced by the publication of the AGAR Sections to the Council website and notice board on 29.06.20

The notice of public rights was incorrectly dated 29.06.20, the notice was published on 25<sup>th</sup> June, following approval on 24<sup>th</sup> June (as minuted), 4 days prior to 29<sup>th</sup> June, therefore the authority did comply, and this was a typographical error on the form

The date errors on the AGAR sections are down to human error following a difficult and confusing start to the new financial year with remote meetings. This error has not occurred in the previous 5 years of the RFO appointment and the RFO has assured Council that diligent checks will be carried out prior to submission of AGAR 2020/21.

## **7. RISK ASSESSMENTS / RISK MANAGEMENT**

The Clerk/RFO will report on risk assessment to the full council Meeting as and when necessary.

The Parish Council's insurance cover will be reviewed at the May Annual Meeting prior to renewal on 1 June and the level of Fidelity Guarantee Insurance has been raised to the recommended level (balances + half of precept, being the maximum amount of cash at risk at any time).

A financial risk assessment is carried out along with a review of reserves prior to setting the annual budget

The council carry out an annual review of Financial Regulations and Standing Orders to ensure they are current and applicable to Winkleigh Parish Council

## **8. REVIEW OF EFFECTIVENESS**

The Council has responsibility for conducting an annual review of the effectiveness of the system of internal control, which should include a review of the effectiveness of internal audit. The results of that review must be considered by the Council and the Council must also approve the Statement on Internal Control.

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