



Internal Control Policy

INTERNAL CONTROL STATEMENT

The Council, as a corporate body, is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control which:

- a) facilitates the effective exercise of its functions;
- b) includes arrangements for the management of risk at a reasonable level.

This Policy determines the day to day methods of internal control and an annual internal audit review undertakes routine checks to ensure that the accounting records are being properly completed and to provide an appropriate level of assurance to Council on its governance, procedures and financial control throughout the year in order to provide full and supportable assurances in the Annual Governance & Accountability Return. A random selection of items will ensure that the person carrying out the review is satisfied that the accounting records are correctly maintained. The following checks are completed:

- that the cashbook is correctly written up and mathematically correct;
- that bank payments agree with invoices;
- that bank reconciliations are regularly undertaken;
- that income due is received and outstanding debts followed up;
- that VAT returns have been completed;
- that salary payments agree with Council approved amounts;
- that financial statements produced for Council agree with the accounting records;
- that the asset register is updated annually;
- that the financial risk assessment is updated and reviewed annually;
- that all income/expenditure is reported to the Council and properly approved;
- that there is a robust series of corporate governance policies, procedures and documentation in place, that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and Financial Regulations;
- that eligibility to exercise the General Power of Competence is reaffirmed at its Annual meeting;
- that appropriate levels of insurance are held.

The Council considers that these are reasonable controls in line with guidance set out in Governance and Accountability for Local Councils – a Practitioner’s Guide (England) issued by the Joint Practitioners Advisory Group (JPAG). Care should be taken to ensure that internal control checks are proportionate and relevant and that they are neither seen as, nor intended as, undue interference in the RFO’s day to day management of financial affairs.

The Council reviews its system of internal control on an annual basis and a report on the findings of this review will be considered by Council along with the Council's statement of internal control and formally recorded in the minutes or on a separate report which is referred to in the minutes.

POLICY

This policy addresses the methodology by which the Council will address its responsibility for Internal Control.

SCOPE

The Policy applies to all members and staff who have responsibility for the management of the Council's finances.

RESPONSIBILITIES

The Council:

- a) reviews its obligations and objectives, approves budgets and the level of precept for the following financial year at its January meeting.
- b) ensures that it holds sufficient reserves to minimise the likelihood and impact of risk as per its Reserves Policy.
- c) has established the Finance, Governance & Staffing Committee (FGS) which meets a minimum of three times during the year to:
 - (from October to January), consider the precept requirement based on budgetary information provided by the RFO, potential projects put forward by Committees and grants requested by local groups; setting a draft budget for the following financial year and making the appropriate recommendations to Council;
 - review financial systems and procedures, policies, data protection, transparency and publications, annual grants, earmarked reserves, contracts and relationships with other local authorities, not for profit organisations and businesses, making the appropriate recommendations to Council to confirm review or where change is required;
 - consider and make recommendations to Council on ad hoc financial matters.
- d) meets eleven times each year and monitors progress against its aims and objectives at each meeting by reviewing financial reports, receiving minutes, recommendations and reports from various committees, individual members and officers.
- e) actively monitors budget performance by being notified of all changes, events and decisions that impact on the spending plans laid out in the budget so that it can agree budget variations where appropriate.
- f) appoints such officers as it thinks necessary to ensure proper discharge of its functions and applications.
- g) appoints an independent internal auditor.
- h) ratifies the appointment of the external auditor who is appointed by the Smaller Authorities Audit Appointments Limited for all Councils who are subject to the limited assurance regime.

OFFICERS & ADMINISTRATIVE ARRANGEMENTS

The Clerk to the Council/Town Clerk is the Proper Officer providing guidance to Council and, under approved delegation arrangements, is responsible for the day to day management of staff and services, advising on compliance with laws and regulations, managing risks and ensure that Council adheres to its procedures, control systems and policies (Local Government Act 1972, Section 112).

The Responsible Financial Officer (RFO) acts under the policy direction of the Council and effectively manages and monitors the Council's finances on a day to day basis, advise the Council on a financial strategy that meets its finance and policy objectives and ensure that its accounts and administrative procedures comply with the requirements of Accounts and Audit and other relevant regulations (Local Government Act 1972, Section 151)

FINANCIAL & ACCOUNTING PROCEDURES

The following principles are observed in connection with accounting duties:

SERVICE INVOICING & RECEIPTS

Invoicing for Council's services relates primarily to markets, food festivals, hanging baskets, christmas trees and sponsorships. Invoices are issued on the basis of the scale of Fees & Charges agreed by Council and processed through SAGE to the relevant budget nominals with a hard copy kept on file.

The majority of income is received by BACS, DD or SO direct to the Council's bank account. On occasion, payment is accepted by cheque or cash and this is receipted and banked in a timely manner.

All receipts are logged in SAGE, linked to the appropriate invoice record and the hard copy annotated and filed as complete. The monthly Financial Reports to Council include a summary of income received under Schedule 6 Receipt of Payments.

SUPPLIER INVOICES & PAYMENTS

On receipt, each invoice is checked for accuracy and receipt of goods/services, allocated a unique identifier, processed on Sage and analysed to the appropriate expenditure heading. The invoice is then retained in the relevant section of the Income & Expenditure file as follows:

- Schedule 1 Payments for Approval – invoices waiting approval to pay
- Schedule 2 Direct Payments ** – pre-approved direct debits and standing orders
- Schedule 3 Business Card Payments - made under Clerk's Delegated Powers
- Schedule 4 Bank Payments - made under Clerk's Delegated Powers
- Schedule 5 Late Payments for Approval – invoices received after issue of the Agenda

** The RFO provides a record of direct payments which arise on a regular basis to Council and updates this when payments need to change.

The monthly Financial Reports issued with the Agenda include the Schedules 1-4 with all associated paperwork available to view in advance at the office or prior to the meeting. Schedule 5 and associated paperwork is available at the meeting. The Chair of Finance, Governance & Staffing, or an FGS Committee Member, authorises each individual invoice on behalf of Council. Approval is recorded in the Minutes and the Schedules are included as an Appendix.

Payments are made as soon as practicable after approval and all payments are taken from the Belper Town Council Account. Council has approved the use of electronic banking with the instructions for each payment being signed by two authorised bank signatories who must be members of the Council. No officer of the Council can approve payments. All payments are logged in SAGE and linked to the appropriate invoice record. Each payment batch is allocated a unique identifier which is referenced on SAGE, on the hard copy invoice and on the Bank's authorisation record.

SALARIES & STAFF PAYMENTS

Salaries and other staff payments are made by BACS normally on the 25th of each month or on the closest working day if the 25th falls on a weekend or bank holiday and certainly no later than the last day of the month. Payments due to HMRC and LGPS are calculated and made on the same day as net pay.

Salaries are paid on the basis of individual contracts of employment and information agreed by the Council as part of the budget setting process with overtime payments for additional duties agreed by the Clerk in advance. Deductions (including but not limited to, tax, national insurance and student loans) are made in accordance with current HMRC guidelines and employee-specific notifications provided by HMRC from time to time. Pension deductions are made in accordance with the wishes of individual staff members when signing up to LGPS. Employer contributions for National Insurance and Pensions are made in accordance with guidelines from HMRC and LGPS respectively. Monthly returns are made to HMRC in accordance with RTI and to LGPS under the i-Connect procedures. Staff payslips provide a full breakdown of the various elements of pay and deductions. Year End returns are made to HMRC through RTI but are no longer required by LGPS following the introduction of i-Connect. Staff who are employed at the end of the tax year receive a P60 which summarises their earnings, payments and deductions. New starters are set up on payroll following completion of a signed New Starter Form which is counter-signed by the Clerk (or the Chair for a new Clerk) and the relevant returns made to HMRC and LGPS. Leavers are removed from payroll and provided with a P45 which gives details of their employment with the Council in the current tax year.

The RFO provides a monthly payroll journal for review by Council under Schedule 2 and this information will confirm the actual amounts of the salaries, taxes and pensions paid. In accordance with GDPR, individual staff names are not included.

Council has authorised the use of 12Cloud Payroll which is a cloud-based payroll system authorised for use by HMRC. Back-ups are made automatically to 12Cloud Payroll's server and the system provides full access to data and reports for all pay periods processed. In the event that Council decided to move to an alternative payroll provider, there would be no access to this information so relevant hard copies are kept on file for each period.

BUDGETARY CONTROL

The RFO ensures that service and supplier invoices are endorsed with the correct nominal code and that this information appears on both the Payments and Receipts Schedules and Minutes of meetings where payment of accounts are approved. The date of receipt, payment and payment batch number are annotated on hard copy invoices and recorded on Sage.

The RFO provides a Net Position by Nominal Report (income and expenditure) for circulation with the Agenda for each Council meeting. This is taken from the accounts and, for each nominal, includes:

- the approved budget for the year;
- the income expected/expenditure committed for the current month;
- accruals for the current month;
- expected income/committed expenditure for the year to date.

The information is summarised by budget group and totalled for the year to date.

The RFO provides a Cash & Reserves Statement taken from the accounts which shows:

- the actual and reconciled funds available in the Council's current and investment accounts;
- the balance of funds in the General Reserve;
- surplus funds over and above the General Reserve agreed by Council

PROCUREMENT & AUTHORITY TO SPEND

Section 4 of the Council's Financial Regulations provides a framework and set procedures for dealing with contracts of certain values. To make provision for the day to day operational work of the Council, the Clerk has the authority to approve urgent payments which are then listed as Schedule 4 Bank Payments Made Under Clerk's Special Powers which is provided as per Supplier Invoices & Payments.

The Council has adopted a Procurement Policy which should be followed at all times

FIXED ASSET REGISTER

The Asset Register provides assurance of the continued existence of Council's property. It is reviewed by the Finance, Governance & Staffing Committee and adopted by Council at the

end of each financial year but is a working document over the following year during which the RFO updates and amends details in accordance with the Council's Fixed Asset Register Policy

RISK MANAGEMENT

The Risk Management Policy is reviewed by the Finance, Governance & Staffing Committee on an annual basis and adopted by Council at the start of the financial year.

ANNUAL REVIEW

An annual review of the effectiveness of the system of internal control is incorporated within the annual work programme of the Council's internal auditor. The findings of the annual review are reported to and considered by the Council.

YEAR END

The Financial Year runs from 1 April to 31 March and, at the end of that period, Council is required under the provisions of the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Accounts and Audit (Amendment) Regulations 2022 to submit an Annual Governance & Accountability Return (AGAR). This provides a snapshot of the Council's financial transactions, governance arrangements and other key information and is a means of demonstrating accountability to the public.

Prior to internal audit and completion of the AGAR, the RFO reviews, reconciles and verifies that all financial transactions are present and validated as follows:

- prepares a closing schedule for dates and deadlines in accordance with data published by the external auditor and notifies the Clerk;
- updates asset register (if required);
- reviews accounts payable and receivable;
- prepares lists of debtors and creditors;
- identifies debtors to be written off;
- accrues for income expected but not received;
- accrues for expenditure payable but not requested;
- checks closing balances
- completes and files year end payroll to HMRC and issues P60's to staff;
- completes year end LGPS requirements;
- prepares documents for internal audit;
- liaises with the internal auditor;
- completes the AGAR together with the relevant supporting information;
- runs the year end process on SAGE;
- checks opening balances for the new financial year;
- presents the completed AGAR to Council for approval;
- submits the approved AGAR to the external auditor;

- publishes on the Council's website and noticeboards, the 'Notice of Public Rights and Publication of the Unaudited Annual Governance & Accountability Return, Sections 1 and 2 of the AGAR and Summary of Rights;
- publishes on the Council's website and noticeboards, the 'Notice of Conclusion of Audit' and Sections 1 – 3 of the AGAR