



chilham parish council

serving chilham, old wives lees and shottenden

Chilham Parish Council

Internal Financial Control

1. Scope of Responsibility

Chilham Parish 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 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; reducing it 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 on-going 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

3. The Internal Control Environment

3.1 The Council

The Council has appointed a Chairman who is responsible for the smooth running of its meetings and for ensuring that all Council decisions are lawful. The Council reviews its obligations and objectives and budgets at the level of precept required for the following year at its December or January Meeting. The Council monitors progress against its aims and objectives at its meetings by receiving relevant reports from the Parish Clerk. The Council regularly reviews its internal controls, systems and procedures

3.2 The Clerk/Responsible Financial Officer

The Council has appointed a Clerk of 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 adhered to.

3.3 Payments

All payments are approved by Council. Two signatories are required to sign every cheque, one of which may be the Clerk.

The RFO is responsible for maintaining accounts of the Parish Council, in doing so financial controls need to be in place, particularly for making payments.

If there are any payments to be made over £500 that have not already been agreed at Full Council that are of an urgent nature for events or from funding that require paying before the next meeting, the Clerk will prepare a list of all payments made with invoices and present them at the Full Council committee and the item will form part of the agenda. The Council shall review the schedule for compliance and, having satisfied itself shall authorise the payments made with the schedule being initialled by the Chairman of the meeting and one other member.

Any payment under £500 can be made by the Clerk by internet banking or by debit card to purchase online stationery/other items or pay invoices. Provided there is evidence of the bank transfer/debit card payment and all these payments are presented at Full Council and are signed by 2 members.

Any grants/donations for local groups can only be paid by the Clerk if approved at a Full Council Committee meeting and all relevant forms have been filled in, regardless of the amount.

3.4 Risk Assessments/Risk Management

The Council carries out regular risk assessments in respect of its activities and regularly reviews its system and controls

3.5 Internal Audit

The Council has appointed an independent, competent internal auditor who reports to the Council on the adequacy of its systems and procedures, internal controls and risk management and its reviews of these matters. The effectiveness of internal audit is reviewed annually

3.6 External Audit

The Council's external auditors submits an annual Certificate of Audit which is presented to the Council.

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 of:

- The Council
- The Clerk/RFO who has responsibility for the design and maintenance of the internal control environment and managing risk
- The independent internal auditor who reviews the Council's systems of internal control
- The Council's external auditor who makes the final check using the annual return, a form completed and signed by the RFO, the chairman and internal auditor

5. Significant Internal Control Issues

Whilst no significant internal control issues were identified during the year, the Council strives for the continuous improvement of the system it has designed for internal control and has addressed all of the minor issues and weaknesses raised and reported during the review process.

STATEMENT OF INTERNAL CONTROL

CASH BOOK/BANK RECONCILIATIONS

The cash book is kept electronically in our accounts package and kept up to date from original documents – receipts, invoices, payments. The cash book is reconciled to the bank statement in preparation of every Parish Council meeting. A bank reconciliation is presented at each Parish Council meeting. The cash book, bank statements and payments and receipts are reviewed by a Member of the Parish Council at least quarterly.

FINANCIAL REGULATIONS

The Parish Council has adopted Financial Regulations based on the NALC model. The regulations are reviewed for continued relevance and amended where necessary via approval by the Parish Council.

ORDER/TENDER CONTROL

Financial Regulations refer for procedures relating to tenders.

LEGAL POWER

A proper legal power is identified for each expenditure.

PAYMENT CONTROLS

All payments are reported to the Council and attached to the agenda. Two Members of the Council or the Clerk must sign every cheque or order for payment. Payments are listed in the Minutes of the meeting. The Clerk always maintains control of the cheque book. The Minute number of the Minute authorising payment and the cheque number are recorded on each invoice. Electronic payments are made as per the section previously quoted under section 3.3.

PAYMENTS MADE UNDER SECTION 137 of the LGA 1972

A separate record of s137 payments is kept. The Clerk calculates the maximum amount of s137 expenditure able to be made each year and ensures it is not exceeded.

VAT RECLAIMS

The Clerk ensures that all invoices are addressed to the Parish Council. The Clerk maintains a VAT account and ensures that the correct amount of VAT is reclaimed each quarter.

INCOME CONTROLS

All income is received and banked in the Council's name in a timely manner and reported to the Council. The Clerk ensures that the amount of precept received is correct in accordance with the precept request sent to the District Council. The Clerk ensures that the precept instalments are received when due.

FINANCIAL REPORTING

A budget control, comparing actual receipts and payments to the budget is prepared and presented to the Council at least quarterly and recorded in the Minutes.

BUDGETARY CONTROLS

The budget is prepared in consultation with the full Council, as evidenced by reports and Minutes in advance of the start of the financial year. The Precept request is submitted by the deadline dictated by the District Council.

PAYROLL CONTROLS

The Clerk is paid under PAYE as an employee of the Council and the necessary system for making payments to HMRC is in place. The Clerk's salary is set by the Council and a Minute is prepared to show the agreed salary. Each payment to employees of net salary and to the appropriate creditor of the statutory and discretionary deductions are recorded by way of reports produced from our payroll provider. These are confidential records which are not open to inspection or review (under the freedom of information Act 2000 or otherwise).

OFFICE AND CLERK'S EXPENSES

If the Clerk requires reimbursement of monies owing this will be requested by way of an expense sheet in advance of the meeting and detailed on the agenda.

ASSET CONTROL

The Clerk maintains full asset register. The existence and conditions of assets is checked on an annual basis by the Parish Council. The adequacy of insurance of the Parish Council's assets is considered annually in advance of the insurance renewal.

INTERNAL AUDIT

The Council annually appoints an independent internal auditor who provides a full report to the Council on Records, Procedures, Systems, Internal control, Regulations, Risk management. The internal auditor will have planned and carried out the work necessary to give the assurances called for in Section 4 of the Local Councils Annual Return. The Parish Council annually reviews the scope of work offered by the internal auditor.

EXTERNAL AUDIT

The Council submits an annual return to the external auditor appointed by the Smaller Authorities' Audit Appointments Ltd (SAAA) in a timely manner.

Policy Adopted:
Minute Ref:
Policy to be Reviewed:

DRAFT