



# Littleport Parish Council

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## Internal Financial Controls Policy 2019/20<sup>1</sup>

It falls on the Councillors to exercise a reasonable degree of control over financial matters. Particularly as, during the completion of the Annual Return, Councillors have agreed the following:

We acknowledge as the members of: Littleport Parish Council our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2019, that:

1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements. *(i.e. prepared its accounting statements in accordance with the Accounts and Audit Regulations.)*
2. We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness. *(i.e. made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge).*
3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances. *(i.e. has only done what it has the legal power to do and has complied with Proper Practices in doing so.)*
4. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations. *(i.e. during the year has given all persons interested the opportunity to inspect and ask questions about this authority's accounts.)*
5. We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal

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<sup>1</sup> Adopted by Full Council at the meeting held on Monday 21<sup>st</sup> October 2019 under minute 19/20.068. For review during 2020/21 financial year.

controls and/or external insurance cover where required. *(i.e. considered and documented the financial and other risks it faces and has dealt with them properly)*

6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems. *(i.e. arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this authority.)*
7. We took appropriate action on all matters raised in reports from internal and external audit. *(i.e. responded to matters brought to its attention by internal and external audit.)*
8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate have included them in the accounting statements. *(i.e. disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.)*
9. Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit. *(i.e. has met all of its responsibilities where as a body corporate it is a sole managing trustee of a local trust or trusts.)*

### **Clerk / RFO's Responsibility**

It is the Clerk / RFO's responsibility to ensure that proper internal controls are set up and adhered to in accordance with the Financial Regulations. These controls must ensure that:

- income and expenditure are in accordance with budgets;
- all income that is due is actually received;
- expenses have been properly authorised before being paid;
- the books of account are maintained on a regular basis and are regularly reconciled.

It is the responsibility of the Clerk to present a monthly statement to the meeting showing the Council's bank balances, etc and a quarterly statement showing the Council's detailed budget compared with the income and expenditure to date.

### **Council / Councillors' Responsibility**

It is the Council / Councillors' responsibility to:

- carefully scrutinise all invoices and other supporting documents against the list for payment submitted at the Parish Council meeting prior to the signing of the cheques;
- check to ensure that the cash book (and any other accounting records) are being correctly written up and are mathematically correct;
- check that the bank reconciliation is done regularly;
- check to ensure that all income due is actually received;
- check that the payroll records are up-to-date;

- check that the financial statements produced to Council agree with the accounting records.

Not every item has to be checked, but sufficient tests should be made to enable the person carrying out the tests to be satisfied that the accounting records are correctly maintained. A log should be kept of all the checks made including 'what, when and by whom' and reported to the Parish Council.

It is recommended that one or more Councillors should undertake these routine checks to ensure that the account books are being kept properly, but that one Councillor should undertake the task for at least a period of six months to ensure continuity.

The internal controls and internal audit should be reviewed annually at a full Council meeting and minuted.

### **Internal Auditor's Responsibility**

The internal controls are not to be confused with the Internal Auditor, who must be independent, and who will carry out tests needed to satisfy themselves that the internal controls are adequate and working. They also have to sign the External Audit form and confirm that:

- A. Appropriate accounting records have been kept properly throughout the financial year.
- B. The authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.
- C. The authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.
- D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.
- E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.
- F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.
- G. Salaries to employees and allowances to members were paid in accordance with the authority's approvals, and PAYE and NI requirements were properly applied.
- H. Asset and investments registers were complete and accurate and properly maintained.
- I. Periodic and year-end bank account reconciliations were properly carried out.
- J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to

the cash book, were supported by an adequate audit trail from underlying records, and where appropriate debtors and creditors were properly recorded.

- K. If the authority certified itself as exempt from a limited assurance review in 2018/19, it met the exemption criteria and correctly declared itself exempt. (“Not Covered” should only be ticked where the authority had a limited assurance review of its 2018/19 AGAR).
- L. During summer 2019 this authority has correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations.

This Policy was adopted at the Council meeting on 21<sup>st</sup> October 2019 to be reviewed annually as part of the year end processes.