

# DREWSTEIGNTON PARISH COUNCIL

## Internal Financial Control Policy.

This document sets out Drewsteignton Parish Councils approved and agreed practices. Any deviation must be made by resolution of the full Council and recorded below.

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### Version Control and Revisions.:

#### Revision History

<b>Date</b>	<b>Version</b>	<b>Notes</b>
16-03-2020	1.0	Policy Adopted

#### Policy Review (where document reviewed but no changes made):

<b>Review Number</b>	<b>Date</b>	<b>Resolution number &amp; Minutes Ref:</b>
R1		

#### **THIS IS A CONTROLLED DOCUMENT**

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**Areas amended are highlighted Yellow**

# **Drewsteignton Parish Council.** **Internal Financial 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: **facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk.**

Drewsteignton 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 up to the date of approval of the annual accounts and accords with proper practice as set out in the Practitioners' Guide *Governance and Accountability in Local Councils* (2021 Edition). It will be reviewed annually.

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

#### **3.1 The Council:**

- a. The Council has appointed a Chairman who is responsible for the smooth running of meetings and for ensuring that all Council decisions are lawful. The Chairman signs the last page of the minutes and initials all other pages.
- b. Decisions made, should be within the Standing Orders (DPC 001) and Financial Regulations (DPC 003) laid down and approved by the Council.
- c. The Council reviews its obligations and objectives and approves budgets for the following year at its either the December or January meeting. At the December or January meeting of the Council approves the level of precept for the following financial year following approval or the budget.
- d. The Council receives a monthly financial statement which it approves at the Council meetings. 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 payments presented at the parish council meeting for any transactions. The councillors 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 (if applicable) at the Parish Council meeting each month to ensure no unauthorised transactions have taken place.

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- g.** The Clerk / RFO may not authorise payments, but a resolution from the Council proposed and seconded will agree the receipts and payments to be made.
- h.** At the year end, the Chairman shall ensure that the cash book totals are reconciled to the year-end bank statement and shall sign a printed copy of the cash book and the year-end 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 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 maintained. The duties of the Clerk / RFO are laid down in a Job Description which is reviewed each year at the year-end appraisal.

- 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 7 years (Annual Return, VAT Returns, PAYE/NIC information, Public notices, Fixed Asset register, Risk assessments; accounts and supporting information)

### **3.3 Internal Auditor (IA)**

**a.** The Council has appointed an Independent Internal Auditor who will report to the Council on the adequacy of its:

- Records
- procedures
- systems
- internal controls
- 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 (i.e. has not dealings with the Council's finances), 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 2 and 3) and will complete page 5 of the Annual Return

**e.** The IA will write a separate report to the Council (a copy of which is sent to the Chairman) 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.

### **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.

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### **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 (in addition to Section 4 Report in the Annual Return.) – actions 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 Chairman and the Internal Auditor. The External Auditor issues an annual audit certificate – action arising from Audit Report.

### **5. SIGNIFICANT INTERNAL CONTROL ISSUES**

There were no significant internal control issues identified during the financial year to 31<sup>st</sup> March 2021 although some minor recommendations were listed in the [Internal Auditors Full Report](#), along with recommendations to support future risk control.

### **6. EXTERNAL AUDIT OPINION**

The significant matters raised on the Annual Return for the financial year to 31st March 2020 Section 2, Box 2, the annual precept, does not agree to the figure published by the precepting authority. The figures in Boxes 2 and 3 should read £13288 and £17101 respectively. All grants, including Council Tax Support Grant, should be shown in Box 3, as per the guidance notes on the AGAR.

Please note that Box 4 should comprise all payments made in relation to the employment of staff including only employment expenses which are benefits (mileage, travel, etc.) but not items of reimbursement of expenses for postage, stationery or other outlays made on behalf of the smaller authority. It was clear from the information provided that the classification of mileage costs has been carried out inconsistently across both years.

The AGAR was not accurately completed before submission for review. Please ensure that amendments are corrected in the prior year comparatives when completing next year’s AGAR: The Council currently does not have a valuation policy in place for gifted assets. The Practitioners’ Guide states that where assets are gifted at zero cost to the authority, they should be recorded at a nominal value of £1.

In view of the information provided by the Council in respect of significant weaknesses in internal control and governance during 2019/20, we believe that Section 1, Assertion 3 has been incorrectly completed and should have been answered ‘No’. We note that the smaller authority has subsequently undertaken a full review of internal controls.

### **Other matters not affecting our opinion which we draw to the attention of the authority:**

We note that Sections 1 and 2 of the Annual Governance and Accountability Return were approved on 20/07/2020 but that the public rights period did not commence until 28/08/2020. The period set is not strictly in contravention of the timing permitted under the legislation introduced as a result of Covid-19, but it should be noted that this year’s extension to allow later public inspection was intended to allow for authorities who were not able to approve their AGAR until as late as the statutory deadline of 31 August 2020.

Regulation 12 (3) of the Accounts and Audit Regs 2015 (signing and approval of the statement of accounts for Category 2 authorities) requires the Responsible Financial Officer,

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as soon as practicable after the date on which the authority complies with regulation 12 (2c) (re. accounts approved and signed following meeting), to do the following on behalf of the smaller authority:

a) commence the period for the exercise of public rights in accordance with regulation 14 and regulation 15; and

b) notify the local auditor of the date on which that period was so commenced.

We fully appreciate the difficulties arising as a result of coronavirus restrictions; however, please consider the requirements of the Accounts and Audit Regulations 2015, when setting the date for the approval of the AGAR in relation to the public rights period in future years. In the completion of the Annual Internal Audit Report, and their detailed report, the internal auditor has drawn attention to significant weaknesses in relation to Objective G. The smaller authority must ensure that action is taken to address these areas of weakness in a timely manner.

In the prior year, the smaller authority was exempt from our review, thus we have not reviewed any evidence to support the prior year comparatives on the AGAR.

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

The Clerk/RFO will report on risk assessment to the Meeting as and when necessary. The Parish Council's insurance cover will be reviewed at the Annual Parish Council Meeting in May prior to renewal on 1 June.

Please note that fundraising activities/successful funding applications should be taken into account as they may increase the amount of funds held at any given point.

### **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