

NORTH TAWTON TOWN COUNCIL – INTERNAL CONTROL POLICY

Policy approved at Ordinary Meeting of NTTC

1 SCOPE OF RESPONSIBILITY

1.1 The Accounts and Audit Regulations 2003 states:

- a Council shall be responsible for ensuring that its financial management is adequate and effective
- and that it has 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

1.2 North Tawton Town Council (the 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
- and that there is a sound system of internal control helping the Council to function effectively, including arrangements for the management of risk.

2 THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

2.1 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.

2.2 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.

2.3 The system of internal control was put into place at the Council for the year ended 31 March 2021 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 (2016 Edition). It will next be reviewed in March 2022.

3 PERSONNEL INVOLVED WITH THE INTERNAL CONTROL ENVIRONMENT

3.1 The Council

3.1.1 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 each page of Council approved minutes.

3.1.2 Decisions made should be within the Standing Orders and Financial Regulations laid down and approved by the Council.

3.1.3 The Council reviews its obligations and objectives and approves budgets for the following year at its December meeting, or at an Extraordinary Meeting in December, arranged for this purpose. This meeting of the Council approves the level of precept for the following financial year.

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- 3.1.4** The Council uses the Scribe Accounting System for recording all financial transactions. This system has been designed specifically for Local Councils and is widely used. The Clerk and Assistant Clerk have received relevant training and are responsible for the ongoing update of transactions onto the system and for producing all relevant reports as and when required.
- 3.1.5** All payments are supported by relevant invoices, receipts where the expenditure is paid from Petty Cash for minor items, or statements for the Council's multipay card
- 3.1.6** At the end of each month a payee list is produced. The Chair of the Council's Finance Committee cross checks the payee list against invoices, receipts and bank statements (for direct debits). This list is then normally considered for formal approval by members at the monthly meeting of the Council. During the course of the current pandemic the Clerk has delegated authority to approve monthly payments.
- 3.1.7** At the end of each month a bank reconciliation report is produced for all the Council's bank accounts, and for its Petty Cash account. The Chair of the Council's Finance Committee checks this against bank statements and the petty cash book. The report is then considered for formal approval by members at the monthly meeting of the Council.
- 3.1.8** At the end of each month a budget report is produced showing the current budget position for all cost centres. Again this is checked by the Chair of Finance, and presented to the Council for information.
- 3.1.9** Payments can be made by cheque or by BACS in accordance with the Councils approved Financial Regulations. For payments made by cheque, these are prepared prior to the monthly meeting, and cross checked against the payment list (already cross checked with invoices) by the Chair of Finance. Two councillors must sign all cheques, and also initial the cheque stubs. All signatories are formally approved by the Council prior to being added to the bank approved list.
- 3.1.10** The Council is now paying all invoices via BACS where possible, driven initially by the restrictions of the pandemic, but also because this has a cost benefit due to not having to pay postage etc. For BACS payments, the Clerk and Assistant Clerk are approved by the Council as inputters only onto the relevant online bank account – therefore they cannot authorize payments. A number of Councillors are approved by the Council as approvers only on the relevant online bank account – therefore they cannot input transactions, only authorise them. Two members must authorize each online transaction, mirroring the requirement for two signatories to cheques.
- 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.
- Either the Clerk or the Assistant Clerk will be appointed as 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.

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- The RFO submits all the requested information to the External Auditor by the required date.
- The RFO arranges for the public notices to be displayed.
- 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

The Council has appointed an Independent Internal Auditor.

- The Internal Auditor reports to the Council on the adequacy of its records, procedures, systems, internal control, regulations, risk management, and reviews
- The effectiveness of the internal audit is to be reviewed annually, and the council is to agree 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.
- The scope of the work (and the charge) of the IA is reviewed annually and the review and the appointment is minuted.
- 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.
- The IA will also undertake an interim audit at the end of Quarter 2 of the financial year.
- 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.
- 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.

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.

4 REVIEW OF EFFECTIVENESS

4.1 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:

- Full Council – identification of new activities
- 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.
- Internal Auditor who reviews the Council's system of internal control.

4.2 The auditor will make a written report to the Council (in addition to Section 4 Report in the Annual Return) and is also commissioned to undertake an interim internal audit halfway through the financial year and report to the Council accordingly.

4.3 The Council's External Auditors make the final check using the Annual Return, a form

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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

- 5.1** Any issues identified by the Internal Auditor will be addressed by the Town Clerk and appropriate procedures and policies put to the Council for approval.

6 EXTERNAL AUDIT OPINION

The external audit report for the 2019/20 financial year states:

“The external audit report for the 2019/20 financial year states: “In our opinion the information in Sections 1 and 2 of the AGAR is in accordance with Proper Practices and no other matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.”