

## **POLICY STATEMENT OF INTERNAL CONTROL AND ANNUAL REVIEW OF EFFECTIVENESS OF INTERNAL CONTROL**

### **1. SCOPE OF RESPONSIBILITY**

West Mersea Town Council ('the Council') is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for; and used economically, efficiently and effectively. Regulation 3 of the Accounts and Audit Regulations 2015 states that 'a relevant authority must ensure that it has a sound system of internal control which —

- a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- b) ensures that the financial and operational management of the authority is effective; and
- c) includes effective 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 and reduce it to a reasonable level rather than to eliminate all risk of failure, to achieve policies, aims and objectives. Therefore, it can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is on-going and the process is designed to identify and prioritise the risks to the authority's policies, aims and objectives and to evaluate and manage the risks accordingly.

### **3. RESPONSIBILITY FOR THE INTERNAL CONTROL ENVIRONMENT**

**3.1 The Council:** The council as a corporate body is responsible under statute for certain decisions which cannot be delegated; setting of the precept and approval of the annual return & governance statement. It may delegate responsibility for dealing with the consideration and approval of all other financial matters to the Finance & Strategy Committee and officers, subject to the approval of delegation arrangements. The council has made and will keep under review Financial Regulations and includes within its Standing Orders particular provisions relating to contracts. The Council's System of Internal Control is ancillary to and underpins the Financial Regulations and Standing Orders. The council must appoint a Chairman who is responsible for the smooth running of meetings and ensures that all council decisions are lawful with the advice of the Town Clerk. Neither the Mayor nor any individual councillor may make decisions on behalf of the council.

The council must appoint an independent Internal Auditor and:

- confirm the scope of the internal audit; approve the internal audit plan setting out proposals for the internal auditor; confirm that this properly takes account of the corporate risk (i.e. the controls and procedures within the council which minimise the risk of the council not being able to function or carry out what it sets out to do)

- agree that the minimum tests proposed in the audit plan, together with the inspections carried out by the Internal Auditor and the Mayor of the Town council, are adequate and effective for the council's internal audit purposes

The Mayor shall sign each page of the minutes once approved at the council meetings. Decisions are made in accordance with the Standing Orders (re-adopted annually) and Financial Regulations approved by the council. The council approves a budget for the following year by the mid January each year which also approves the level of precept for the following financial year. The RFO shall provide the council, at each full council meeting, with a statement of receipts and payments to date. In addition, the RFO will provide details under each main head of budgets (comparing actual expenditure to the appropriate date against that planned and as shown in the budget) at least each quarter at the same time as the bank reconciliation is submitted.

**3.2 Officers:** The Council has appointed a Town Clerk who as Proper Officer acts as the Council's advisor and a Responsible Finance Officer who is responsible for administering the Council's finances. The Town Clerk is responsible for the day-to-day compliance with laws and regulations that the council is subject to and for managing risks. The Town Clerk also ensures that the council's procedures, control systems and policies are maintained. The duties of the Town Clerk and the RFO are laid down in a Job Description which is reviewed from time to time by the Personnel Committee. The RFO shall check and authorise payments prior to their presentation for signature in accordance with the approved financial procedures. The Town Clerk and the RFO submit all the requested information to the internal and external auditor by the required date. The Town Clerk arranges for public notices to be displayed. The Town Clerk and the RFO retain all relevant documents relating to finances in accordance with best practice and the Council's Document Retention Policy (Annual Return, VAT Returns, PAYE/NIC information, Public notices, Fixed Asset register, Risk assessments, accounts and supporting information).

**3.3 Internal Auditor:** The council will appoint a suitably qualified and experienced Independent Internal Auditor who will report to the council in accordance with the scope of internal audit sufficient to provide an adequate level of assurance for the council to complete assertions 2 and 6 in its Annual Governance Statement. The effectiveness of the internal audit shall be reviewed annually, and the Council agrees the appointment of the Internal Auditor. The scope of the work of the Internal Auditor is reviewed annually, the review and the appointment are minuted. The reports of the Internal Auditor are considered at the following full council meeting. After three financial years, the Town Council will endeavour to appoint a new Internal Auditor.

**3.4 External Audit:** The council's External Auditors are appointed in accordance with the current statutory accounting and audit framework. The council shall display public notices of the exercise of electors' rights and conclusion of audit as required by regulation.

## **4. FINANCIAL AND ACCOUNTING PROCEDURES**

### **4.1 Financial Regulations**

The Financial Regulations will be reviewed for continued relevance and amended where necessary via approval by the Town Council annually in May

#### **4.2 Payment Signatories**

Two Councillors authorise all payments online. The signatories ensure that the payment agrees with the amount of the invoice and the payee named on the invoice. Ideally, Councillors should strive to alternate authorising payments where possible.

#### **4.3 VAT Repayment Claims**

The RFO ensures that proper VAT invoices are received where VAT is payable and maintains a VAT account to show that the correct amount of VAT is reclaimed at least once a year.

#### **4.4 Salaries and other Staff Payments**

Salaries and other staff payments shall be made no later than penultimate day of each month by BACS. Payments shall be paid on the basis of information agreed and reviewed annually by the Personnel Committee and recommended to council for approval. An external payroll company will be used and will provide the information to the RFO for payment of salaries, payments and requirements to HMRC and pension contributions. Mileage and any other expenses shall be reimbursed in accordance with rates approved by the council. Upon the production of appropriate receipts, out of pocket expenses for small day to day items appropriate to the duties of the staff member shall be reimbursed.

#### **4.5 Budgetary Control**

The Town Clerk (RFO) will ensure that all accounts certified for payment are endorsed within the correct budgetary centre. The Town Clerk (RFO) shall every month reconcile statements of the Town Council's accounts taken from the information contained in the cash book with copies of the relevant bank statements. The full Council shall receive a budget report at each meeting alongside a financial statement and a report of bank reconciliation. The Council meet in October/November/ December for the purposes of budgetary control review and the preparation of a draft budget and precept requirement. The Town Council will review (amend if necessary) and agree the draft budget and consequent precept for the next financial year.

#### **4.6 Procurement**

Financial Regulations provide a framework and set procedures for dealing with contracts of certain values. Working beneath that framework, provision needs to be made for the day-to-day operational work of the Town Council to be administered, and to that end the Town Clerk is authorised to issue orders for office and other supplies to support the Town Council's administration and day to day operation within agreed budgets. The Town Clerk may incur expenditure on behalf of the council which is necessary for the purposes of any repair, replacement or other work of an urgent nature, whether or not budgetary provision exists for such expenditure, up to a limit of £1,000. The Town Clerk shall report the action to council at the next available meeting.

### **5. ASSET MANAGEMENT**

The council's Asset Register is to be reviewed on an annual basis by full council. No property shall be sold, leased or otherwise disposed of without the authority of the council. The adequacy of insurance of the Town Council's assets is considered annually in advance of the insurance renewal.

### **6. RISK MANAGEMENT**

The council's base Risk Assessment of its land, property, and activities, are to be reviewed on an annual basis by the Town Clerk and any recommendations made to full council.

## **7. REVIEW OF EFFECTIVENESS**

The Council is responsible for conducting, at least annually, a review of the effectiveness of the system of internal control. This role will be initiated by full Council and incorporated within the annual work programme of the Council's Internal Auditor. The findings of the annual review shall be reported to and considered by the Council.