Hadleigh Town Council

The Guildhall
Market Place
Hadleigh
Suffolk
IP7 5DN
(01473) 823884

Policy Statement of Internal Control

1. Scope of Responsibility

Hadleigh Town 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. This needs to be tested by the elected members of the council, and the Acting Proper Officer and Responsible Finance Officer.

This responsibility falls within the remit of the Council Matters Committee to review and report back to Council.

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 reviews its obligations, strategy and budgets in the last quarter of the calendar year. The Council monitors progress against its aims, objectives and budgets at its meetings by receiving relevant reports from the Town Council Officers and relevant sub-committees and working groups. The Council regularly reviews its internal controls, systems and procedures.

3.2 The Responsible Financial Officer (RFO) and Proper Officer (PO)

The Council has appointed an RFO who acts as the Council's advisor and administrator on financial activities. The Proper Officer is responsible for the overall governance and compliance of council's business and guides the Council to ensure that procedures, control systems and policies are adhered to. The PO is responsible for the day-to-day compliance and risk management.

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3.3 **Council Matters Committee**

A member of this committee is appointed to carry out internal scrutiny checks required to achieve good governance and to report back to a Full Council Meeting at least once per year.

3.4 **Payments**

All payments are approved by the Council. The Proper Officer has delegated authority to approve payments in advance of Council approval in line with the Council's Standing Orders and Financial Regulations. Such payments must be reported in detail and ratified by the Council at the earliest Full Council meeting. Two Councillors are required to approve all payments either by cheque or via internet banking.

3.5 **Risk Assessments/Risk Management**

The Council carries out a risk assessment annually on all its activities. The management of the risk is reviewed, and mitigating actions are agreed by council after consideration by the Council Matters Committee.

3.6 **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.

3.7 **External Audit**

The Council's external auditors submits an annual Certificate of Audit 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 PO and 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

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5. Significant Internal Control Issues

Any significant internal control issues are reported initially to the Council Matters Committee, who will discuss and recommend an action plan to be agreed by the Full Council and actioned by the Council's Officers. Regular reviews will allow for continuous improvement of processes.

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6. STATEMENT OF INTERNAL CONTROL FOR THE PERIOD APRIL 2021 to MARCH 2022

	Task for control	Evidence
CASH BOOK/BANK RECONCILIATIONS	Xero Accounting Software is used to record budgets, receipts, invoices and payments.. Original documents are kept monthly and stored in line with the Council's document retention policy. The cash book is reconciled to the bank statement in preparation of every Council meeting. A bank reconciliation is checked by the Councillor nominated by Council. The cash book, and bank statements are reviewed and signed off by the Councillor nominated by the Council at least quarterly. Payments can be traced back to the expenditure approved in a previous Council meeting via the Financial Payments schedules.	
STANDING ORDERS	The Council has adopted NALC Standing Orders model with minor variations. Standing Orders are reviewed for continued relevance annually and amended where necessary after approval by the Council.	
FINANCIAL REGULATIONS	The Council has adopted Financial Regulations based on the NALC model with minor variations. The regulations are reviewed for continued relevance annually and amended where necessary after approval by the Council	
ORDER/TENDER CONTROL	Financial Regulations referring to quotations and tenders are followed.	
LEGAL POWER	Expenditure is reviewed to ensure that it is commensurate with a legal power.	

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	Task for control	Evidence
PAYMENT CONTROLS	A payment schedule is prepared each month. Internet banking or cheque payments are prepared only after authorised by the Council or the APO in line with Financial Regulations. The payments schedules are included in the financial report which is presented to all councillors with the Agenda before every Council meeting The RFO maintains control of the cheque book. Cheques will only be issued in exceptional circumstances and Internet banking is the default method of payment. All bank accounts used require 2 Councillors to approve payments and bank transfers.	
PAYMENTS CONTROLS (UNDER GENERAL POWERS OF COMPETANCE)	All Grant requests must be made on the appropriate application form and listed in the Agenda and considered and determined by the Town Matters Committee. All approved Grants must be individually recorded and published in the minutes of the Town Matters Committee. A separate control record must be kept to ensure grant payments do not exceed the budget agreed by the Council.	
VAT RECLAIMS	The RFO ensures that all VAT invoices are addressed to the Hadleigh Town Council. The RFO maintains a VAT account and ensures that the correct amount of VAT is reclaimed from HMRC.	
INCOME CONTROLS	All income is received and banked in the Council's name in a timely manner and reported to the Council within the Financial Statements. The RFO ensures that the amount of precept received is correct in accordance with the precept request sent to Babergh District Council. The RFO ensures that the precept instalments are received when due.	

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FINANCIAL REPORTING	A report, comparing actual receipts and payments to the budget, broken down by Cost Centre, is prepared and presented to the Full Council at least quarterly and evidenced in the Council's minutes.	
BUDGETARY CONTROLS	A report forecasting the current year and a proposed budget for the following year is compiled and presented initially to Council Matters Committee for their consideration and agreement to take forward as a recommendation to Full Council meeting in December. The Precept agreed by Full Council is submitted by the deadline dictated by Babergh District Council.	
PAYROLL CONTROLS	All employees are paid in accordance with HMRC PAYE regulations and RTI returns are made in accordance with HMRC requirements. Staff Salaries, hourly rates and pension arrangements are reviewed by the Staffing Sub Committee. Staffing Sub Committee agreed recommendations for change are approved by the Full Council operating in a confidential session. HMRC approved Payroll Software is used to record all required employees' details and to calculate employee Pensions, Tax and other deductions and produce employee payslips. PAYE,NHI and Pension payments are made by the required deadlines and reconciled to the relevant deductions account within the General Ledger. HMRC End of Year Returns are completed by the required deadlines.	
OFFICE AND CLERK'S EXPENSES	Employees and Councillors claims for reimbursement of out-of-pocket expenses are approved by the RFO and APO in advance of payment and detailed on the Monthly Payment Schedules. The expense sheet is treated as an invoice for accounting purposes.	
PETTY CASH CONTROL	A separate Petty Cash Account is used to record small payments and reimbursements made in cash. Receipts are obtained for Petty Cash payments. The Petty Cash Float is counted and reconciled with the Cash Book monthly.	

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ASSET CONTROL	The RFO maintains the full asset register. The existence and conditions of assets are checked on annual basis by the Assets Sub Committee with any change recommendations presented to Full Council. The adequacy of insurance of the 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 and 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 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.	