

AYLSHAM TOWN COUNCIL INTERNAL CONTROL POLICY

1. SCOPE OF RESPONSIBILITY

Aylsham 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.

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 ensure that the council's activities are carried out properly and as intended. Controls will include the checking of routine financial procedures; the examination of financial comparisons; the recording of assets and liabilities; the identification of risk and 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. PERSONNEL INVOLVED WITH THE INTERNAL CONTROL ENVIRONMENT

3.1 The Council:

The Council has appointed a Chairman who is responsible for the smooth running of meetings and for ensuring that all Council decisions are lawful. Decisions made should be within the Standing Orders and Financial Regulations laid down and approved by the Council. The Council reviews its obligations and objectives and approves budgets for the following year at its meetings during October to December. The January meeting of the Council approves the level of precept for the following financial year. The Council will receive reports and recommendations from the Effectiveness of Internal Control Working Party. The Council receives a monthly summary financial statement which it approves at its Council meetings. Payments are made in accordance with Standing Orders and Financial Regulations.

3.2 The Effectiveness of Internal Audit Working Party:

The Council has appointed an Effectiveness of Internal Control Working Party to meet twice yearly following receipt of the Internal Audit Report who will monitor progress against objectives, financial systems and procedures and budgetary control.

The Effectiveness of Internal Control Working Party will review annually the Financial Risk Assessment. The Effectiveness of Internal Control Working Party will make recommendations to the council regarding the appointment of an Internal Auditor.

3.3 Town Clerk and Responsible Finance Officer:

The Council has appointed a Town Clerk as the Council's advisor and administrator who is also the Responsible Finance Officer. The Council has also appointed a Finance Officer who is responsible for administering the Council's finances. The Town Clerk and Finance Officer are responsible for the day-to-day compliance with laws and regulations that the Council is

subject to and for managing risks. The Town Clerk and Finance Officer also ensure that the Council's procedures, control systems and policies are maintained.

3.4 Internal Auditor:

The Council has appointed an Independent Internal Auditor who reports to the Council on the adequacy of it's:

- Proper bookkeeping arrangements
- Corporate governance, financial regulations and risk management procedures
- Payment, petty cash and salaries procedures
- Precept determination
- Budgetary control
- Income control
- Asset registers
- Investment and loans
- Bank reconciliation
- Financial statements

The Council appoints the Independent Internal Auditor on an annual basis. The Internal Auditor, who is competent and independent, is advised of the scope of the work required by the Council.

4. Review of Effectiveness:

The Council has responsibility for conducting an annual review of the effectiveness of internal control. The review of the effectiveness of internal control is informed by the work and any issues identified by:

- Full Council – identification of new activities
- Effectiveness of Internal Control Working Party – report and recommendations
- Town Clerk and Finance Officer who have responsibility for the development and maintenance of the internal control environment and managing risks
- Independent Internal Auditor who reviews the Council's system of internal control. The Independent Internal Auditor will make written reports to the Council (in addition to the report contained in Section 4 of the Annual Governance and Accountability Return - AGAR)
- The Council's External Auditors, who make the final check using the Annual Return, a form completed and signed by the Responsible Finance Officer, the Town Clerk, the Chairman and the Internal Auditor. The External Auditor issues an annual audit certificate.

System of Internal Financial Control

Cash Book/Bank Reconciliations

- The cash book is kept electronically (in accounts software – Scribe), maintained up to date from original documents (cash received, invoices, payments and direct debits made and cheques as they are prepared).
- The cash book is reconciled to the bank statement at least monthly.
- Reconciled accounts are presented at each Town Council meeting for approval.

- The cash books, payments and receipts and bank reconciliation is reviewed and approved by council appointed internal scrutineer as per Financial Regulations, with reference to the underlying records (bank statements and minutes plus copies of accounts papers etc.) at least annually.
- The bank reconciliation is reported to the full Town Council and minuted as such.
- The latest financial position and movements on the Town Council's cash balances are reported at each council meeting.

Financial Regulations

- The Town Council has adopted financial regulations, based on the model version prepared by NALC/SLCC. The regulations are reviewed annually for continued relevance and amended where necessary by the Responsible Financial Officer with any proposed amendments subject to approval by the Town Council.
- The Financial Regulations list the number of estimates, quotes or full tenders that must be invited depending on the value and nature of the work.
- Official orders are sent to suppliers for services which are not regular in nature.

Payment Controls

- Purchase orders/emails/letters ordering the work are matched to purchase invoices where applicable.
- Payments will be listed in voucher number order in the cash books and in accounts files.
- Every payment has a unique sequential transaction number which is matched to the payment invoice and the corresponding transaction on the bank statement.
- All invoices for payment are listed and presented for payment.
- Original invoices are available to the Councillors signing the cheques or authorising BACS payments.
- Cheques will be signed by two signatories, who are authorised to sign on the council's bank mandate.
- The council has an online banking system in place, for the purpose of viewing statements, transferring funds between accounts, and making Bacs Payments only once authorisation has been made (as below)
- Bacs payments are authorised to be made by two signatories, who are authorised to sign on the council's bank mandate. Upon authorisation the payment is set up on the online banking system by the finance officer.
- The Finance Officer under the guidance of the RFO, is authorised to set up direct debit payments. All direct debit mandates should be signed by two authorised signatories.
- The Finance Officer under the guidance of the RFO maintains control of the cheque book at all times.
- When invoices are paid by cheque, they are identified by the cheque number and referenced in the cashbook by the cheques number, as well by the unique identifier. This is cross checked with the bank statements.

VAT Repayment Claims

- The RFO along with the Finance Officer ensures that all invoices are addressed to the Town Council.
- The RFO along with the Finance Officer ensures that proper VAT invoices are received where VAT is payable.
- The RFO along with the Finance Officer maintains a VAT account to show that the correct amount of VAT is reclaimed in the year.

Income Controls

- The RFO ensures that amount of the precept received is correct in accordance with the precept request sent to the District Council.
- The RFO along with the Finance Officer ensures that the precept instalments are received when due.
- The RFO along with the Finance Officer ensures that other receipts are received when due and correctly calculated.
- Receipts are issued for all cash received. Receipt numbers are recorded against payments.
- Income is banked promptly and intact.

Financial Reporting

- A Budget control, comparing actual receipts and payments to the budget and the previous year is prepared monthly, and presented to Full Council in advance of the meeting and minuted accordingly.
- The budget is prepared in consultation with the Town Council, as evidenced by reports and minutes.
- The precept is set on the basis of the budget based on the deadline set by Broadland District Council and the statutory deadline.

Payroll Controls

- The Clerk is paid under PAYE as an employee and the necessary system for HMRC RTI is in place.
- Other employees are paid under PAYE and the necessary system for HMRC RTI is in place.
- Salaries are set as per Contracts of Employment.
- Salaries are paid by Bacs.
- The Clerk will ensure that all the necessary payroll returns are made to HMRC and will retain evidence that this has been done.

Officers and Members Expenses

- Requests for reimbursement of monies owing by way of an expense incurred is made immediately the purchase is paid and is authorised by the RFO or an appropriate official independent of the claim.
- Expenses are paid by cash, cheque and Bacs and the expense is treated as an invoice for accounting purposes.

Asset Control

- The RFO along with the Finance Officer maintains a full asset register.
- The existence and condition of assets is checked on a regular basis by Officers of the Town Council or as a need is identified.
- The adequacy of insurance of the Town Council's assets is considered annually in advance of the insurance renewal

Reviewed April 2025

Next Review March 2026