

# **BOROUGH GREEN PARISH COUNCIL**



**ESTABLISHED 1934**

## **Financial Internal Controls**

**Adopted: 3<sup>rd</sup> June 2021**

**Chairman: Francis Michael Taylor**

**Proper Officer/Responsible Financial Officer: Bernard Galopin**

## **Introduction**

Borough Green Parish Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. The Council must ensure that public money is safeguarded and properly accounted for. Council funds must be handled transparently, economically, efficiently and effectively.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a proper system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

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.

This policy supports the provisions and directives of the Council's Standing Orders, Financial Regulations, Risk Assessment Policy and Privacy Policy. This policy will be reviewed annually.

## **System of Internal Controls**

### Supervision

Oversight of payments are conducted through the monthly public meetings. A schedule of payments is produced and authorised for payment by the Council (including direct debits, BACS payments and cheque payments). The schedule is 'approved' and 'seconded' at this meeting. This process allows for discussion and challenge, as appropriate, in advance of payments being made.

Oversight of online banking is provided to three councillors (MT, SG, SM). Designated signatories are limited to four councillors (AW, MT, SG, SM). This allows the Council to have oversight and inspection of all of the Council's bank accounts at any time.

Any councillors can view the Sage accounting system with prior agreement and appointment with the Council Clerk and Chairman present.

All payments and receipts are produced for the month with cheque numbers. Supporting documentation in the form of invoices evidence the proposed payments. The invoices are initialised by two Councillors to verify that the works/services have been completed and that payment is approved. This documentation is presented at the monthly public meeting.

### Organisational

The Council follow the directions contained within Standing Orders and Financial Regulations. In addition, other relevant policies, such as Risk Assessment and Privacy policies are complied with. Where appropriate, advice and best practice are adopted from KALC.

### Accounting

The year-end accounting statements shall be prepared in accordance with proper policies and apply the form of accounts determined by the Council, i.e. Receipts and Payments for the year to 31 March.

A completed draft Annual Governance and Accountability Return (AGAR) shall be presented to all councillors at least 14 days prior to anticipated approval by the Council.

The accounting system is managed on Sage 50, a standardised accounting system. Finances are recorded using standard accounting principles. Income and expenses are presented in the form of an annual Income and Expenditure Account.

Budget system in process in which Income and Expenditure is analysed against the authorised precept. The budget is reviewed quarterly and presented at the public meeting in June, September, December and March (part of year end procedure).

There are two elements of independent annual review for the accounts. Reporting is to the Council and reports are made public.

- Internal audit: Reports on the appropriateness of systems, controls and compliance.
- External audit: Expresses an opinion as to whether the accounts present a 'true and fair' view of the Council's performance and financial position.

Monthly bank reconciliations are produced for all Council bank accounts and are presented at public meetings. Bank statements accompany these reconciliations.

### Physical and Systems Controls

The accounts are managed on Sage 50. Principle back up is via Cloud (One Drive) and secondary back-up is via memory stick. The memory stick is retained at the Chairman's home. Back up procedures are conducted at least once a month.

Councillors can view accounting entries on the Sage 50 system with permission of the Clerk and Chairman, who will both be present at the time.

Separate passwords are used for Sage 50, access to Basic Tools (Inland Revenue) and KCC pensions. These passwords are stored in a sealed envelope, which is kept at the Chairman's house.

Physical documents, such as purchase and sales invoices, are retained in binders. Current records are retained with the Clerk. Archived records are retained in the Village Hall Office and at the Chairman's house. These records are available for internal and external audit purposes.

The Natwest current account cheque book is currently retained by the Chairman. Paying in books/slips are also currently retained by the Chairman.

Payments (cash and cheque) received for Council services that are collected by the Chairman will be logged on emails which are sent to the Clerk/RFO (used as an audit trail for accounting and bank reconciliation purposes). The Chairman will deposit cheques payable to the Council for services rendered by the Council into the Post Office/Nisa shop. The Chairman will present a cheque to the Council for amounts of cash collected by the Chairman for services rendered by the Council for the equivalent amount of the cash takings. This is because there are no local banks in Borough Green.

Zen provide advice and support to the Council on IT related matters.

### Management and Monitoring

Monthly bank reconciliations highlight the financial position of the Council and are presented to the Council at public meetings.

Quarterly budget reports, highlighting actual spend year-to-date against the precept, will be presented to the Council at public meetings.

An annual Income and Expenditure Account will be produced at year-end, which will be subject to internal and external audit review.

The Financial Services Compensation Scheme (FSCS) for protection up to £85,000 is provided for with the use of two separate banks, i.e. Natwest and Metro Bank.

### Authorisation

All payments by the Council shall be authorised, approved and paid in accordance with the law, proper practices and the Council's financial regulations. Payments are authorised at monthly public meetings.

The Clerk can authorise payment up to £500 for goods and services in order to progress Council business where it is not practicable to wait for authorisation at the next public meeting. Details of expenditure on goods and services that has been incurred outside of a public meeting and was authorised by the Clerk/RFO will be e-mailed to all of the Councillors as soon as practicable. The Clerk/RFO is empowered to delegate this authority to other Council employees.

The Chairman has authority, in exceptional circumstances, to make an executive decision on behalf of the Council, who will be notified by email as soon as practicable.

Contracts with an estimated value in excess of £25,000 are subject to the provisions of Standing Orders.

Automated payments include regular direct debits, BACS payments and staff salaries which are all confirmed at the monthly public meetings will be processed by the Clerk/RFO as routine Council business.

The Chairman drafts the cheques for payment, which are then signed by two signatories. Supporting documentation is also signed/initialled by the signatories.

Cash takings are collected by the Chairman and Clerk/RFO. A personal cheque from the Chairman/Clerk RFO will be paid to the Council which represents the sum total of the cash takings. A record of cash takings is recorded on email for the purpose of audit trail. Takings that consist of cheques will be deposited into the Post Office/NISA and transferred to the Natwest Bank Account.

### Personnel and Responsibilities

The Clerk/RFO has formal professional accountancy qualifications. The Internal Auditor is recognised by KCC and the external auditors are practising members of the Institute of Chartered Accountants in England and Wales.

The Councillors are independent to the Clerk/RFO and have a diverse background of business skills and professional qualifications.

The role of the Clerk (Proper Officer)/RFO is contained within Standing Orders. The Clerk/RFO is answerable to the Council and not individual councillors. This is to ensure independence and transparency in decision-making and accountability.

### Segregation of Duties

A clear segregation of duties between the Chairman, councillors and the Clerk/RFO must be maintained to preserve independence, openness and transparency.

As far as possible, the basic principle, with regard to Financial Regulations, is that the Councillors on behalf of the Council will authorise payments and the Clerk/RFO, acting in such a capacity, will process these payments, thus ensuring a segregation between authorisation and actual payment.

An audit trail outlining the financial substance of each transaction together with the segregation of these responsibilities will be evidenced in all record keeping held by the Council.

