

**CYNGOR CYMUNED
MANORDEIFI
COMMUNITY COUNCIL**

INTERNAL CONTROLS POLICY

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Version no.	Date/minute	Summary of amendments	Author
V1 (draft)	23/3/24	Creation of policy	JK (Clerk/RFO)
V1	9/4/24 7g	Adoption by council	

LEGAL FRAMEWORK

The Accounts and Audit (Wales) Regulations 2014 set out the requirements for financial management and internal controls.

Regulation 5 (1) The relevant body must ensure that there is a sound system of internal control which facilitates the effective exercise of that body's functions and which includes—

- a) arrangements for the management of risk, and
- b) adequate and effective financial management.

Regulation 6 (1) The responsible financial officer of a relevant body must determine on behalf of the body, after consideration, when relevant, of proper practices, its—

- a) accounting records, including the form of accounts and supporting accounting records, and
- b) accounting control systems,

and that officer must ensure that the accounting control systems determined by that officer are observed and that the accounting records of the body are kept up to date and maintained in accordance with the requirements of any enactment and proper practices.

Regulation 6 (3) The accounting control systems determined in accordance with paragraph (1)(b) must include—

- a) measures to ensure that the financial transactions of the body are recorded as soon as reasonably practicable and as accurately as reasonably possible, measures to enable the prevention and detection of inaccuracies and fraud, and the ability to reconstitute any lost records;
- b) identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers in relation to significant transactions;
- c) procedures to ensure that uncollectable amounts, including bad debts, are not written off except with the approval of the responsible financial officer, or such member of that person's staff as is nominated for this purpose, and that the approval is shown in the accounting records; and
- d) measures to ensure that risk is appropriately managed.

INTERNAL CONTROLS

Manordeifi Community Council has adopted model Financial Regulations and a Risk Management Policy and Risk Assessment Schedule which ensure compliance with financial regulations and proper practices and the appropriate management of risks. This policy highlights specific internal controls that are in place to protect the council against financial mismanagement.

Internal controls are essential checks and procedures that help council members:

- meet their responsibilities to safeguard the council's money and assets;
- administer the council's finances and assets in a way that identifies and manages risk; and
- ensure the quality of financial reporting by keeping proper accounting records and preparing timely and relevant financial information.

Internal controls reduce but do not remove completely, the risk of losses through:

- theft and fraud;

- poor decision-making;
- human error;
- breaches of controls and unforeseeable events.

Manordeifi Community Council has established an audit working group, consisting of 2-3 councillors, which provides an internal basic level of financial scrutiny. The group meets quarterly.

High level controls provide an overall framework for protecting the council.
Specific controls relate to activities and transactions of the council.

High Level Controls	
Control area	
Segregation of duties	<p>Banking arrangements must be approved by full council.</p> <p>No financial transaction can be undertaken by one person.</p> <p>The Clerk/RFO presents a schedule of payments to each council meeting for approval.</p> <p>Once approved, the Clerk/RFO makes arrangements for the payment to be actioned either by raising a payment on the internet banking system or writing details of the payment on a cheque.</p> <p>Each internet banking payment must be approved by two bank signatories, or each cheque signed by two bank signatories, who must also initial the cheque stub.</p> <p>Financial transactions are checked quarterly by the audit working group.</p>
Budgetary control	The Clerk/RFO presents a budget monitoring document to council on a quarterly basis. This is reviewed and checked by the audit working group.
Internal audit	<p>An internal auditor is appointed annually by the council, with approved terms of engagement.</p> <p>The internal auditor undertakes the work required by the council in order to complete the relevant section of the Annual Return.</p> <p>The council reviews the internal auditor report and takes note of any recommendations.</p>
Risk management	A Risk Management Policy, including a Risk Assessment Schedule, is in place, noting the major risks to the council and the controls in place to minimise those risks.
Payments	Controls over payments are set out in the council's Financial Regulations.

Specific controls related to activities and transactions		
Control area	Control objective	Controls in place
Standing Orders and Financial Regulations/ Procedures	These establish the general rules applicable to council meetings and in carrying out the council's business	<p>Model standing orders and financial regulations are in place. Standing orders include provisions for securing competition and regulating the way in which the council contracts with suppliers. They include specified thresholds for obtaining estimates, quotes and tenders.</p> <p>Standing orders and financial regulations require:</p>

		<ul style="list-style-type: none"> • As far as is possible, a fully priced official order should be sent to suppliers in advance of delivery of goods. • On receipt of invoices, confirmation should be obtained that the goods or services have been received in good order, that the arithmetic is correct and discounts have been received if appropriate. • For capital projects, payments should only be made against certified completions under a planned and approved programme of works that is subject to a formal contract approved by the council.
Income records (precept and VAT reclaims)	Internal controls should ensure the council accurately maintains accounting records of income.	<p>When the monthly bank statement is received, checks are made to ensure that:</p> <ul style="list-style-type: none"> • Transfers or other direct payments into the bank are verified against supporting paperwork. • Income is recorded in the cash book as it appears on the bank statement <p>These checks are made by the RFO initially and further checked quarterly by the audit working group.</p>
Cash book records	Controls should ensure that the cash book is up-to-date and accurate, and that it matches up with the bank statements	<p>The cash book is laid out as required by proper practices.</p> <p>Entries into the cash book are made as soon as possible once a payment has been actioned.</p> <p>Upon receipt of the bank statement, cash book entries are marked to show they have appeared on the statement, and the statement is ticked to show that the transaction appears in the cashbook.</p> <p>Quarterly bank reconciliations, checked by the audit working group, ensure that the cash book and bank account agree.</p> <p>Cash book records are analysed by budget heading, with columns to show s137 payments and VAT paid on purchases.</p>
Authorisation of expenditure	Expenditure controls ensure that only necessary and authorised purchases are made. Controls also ensure that the council makes payments only for goods and services actually received and at agreed prices.	<p>All purchases and payments must be approved by the council.</p> <p>Invoices received are checked, by the RFO, against orders to confirm prices and the receipt of the goods or services ordered. Further checks are undertaken quarterly by the audit working group.</p> <p>Payments whether by cheque or other means are only released once confirmation has been received that sufficient funds are available.</p> <p>All payments required are reported to a council meeting and are issued as soon as possible after approval.</p> <p>Members must never sign blank cheques or authorise funds transfers which are presented for</p>

		<p>approval in advance of supply or where unsupported by appropriate documentation.</p> <p>Payments by bank transfer are raised by the clerk/RFO and approved by two signatories. A record of the payment approvals is printed off and filed with the invoice.</p>
Wages and salaries	<p>The purpose of payroll controls is to make sure that the council pays the correct amounts to genuine employees and HMRC.</p>	<p>Payroll is outsourced to ensure that all legal requirements are met.</p> <p>The clerk/RFO has a contract of employment.</p> <p>The council is registered with HMRC as an employer.</p> <p>The council sets the salary scale point and working hours for the clerk/RFO and reviews them annually.</p> <p>Any changes to the hourly rate of pay, due to NJC negotiations, are reported to the council for authorisation.</p> <p>The clerk/RFO reports salary changes and tax codes to the payroll company for processing.</p> <p>Salary payments are by standing order, approved by two signatories, and details printed off and filed.</p> <p>The council is presented with monthly bank statements which show salary payments.</p>
Assets	<p>Internal controls should be in place to safeguard the assets and investments held by the council from loss or damage and to ensure their proper use within the community.</p>	<p>The council maintains an asset register and reviews it annually.</p> <p>Insurance is in place to cover damage or loss to assets.</p>
Bank accounts	<p>Controls over bank accounts ensure that the amount of money held at any given point in time can be identified and that this money is secure</p>	<p>A bank reconciliation is prepared quarterly and presented to council, to show that the cash book balance and the bank balance match. The audit working group checks this quarterly.</p> <p>A copy of the cash book and bank statement is presented to the council at each meeting.</p> <p>A statement of the available balance is given at each meeting.</p> <p>To maintain the security of bank accounts, the following controls are in place:</p> <ul style="list-style-type: none"> • Formal council approval is required to set up or close bank accounts

		<ul style="list-style-type: none"> • The clerk/RFO raises payments but does not usually act as a signatory for payments. All payments are approved by the council • After each electronic banking transaction, a print out is taken showing transaction details and stored as part of the accounting record; • The council laptop, which accesses online banking, is password protected; • The laptop is up to date with anti-virus, spy ware and firewall software; • The clerk/RFO offers support for those using the electronic banking facility
Employees	Employees must ensure that they adhere to the council's control arrangements	Financial Regulation 1.6 states 'Deliberate or wilful breach of these Regulations by an employee may give rise to disciplinary proceedings'.