

REVIEW OF SYSTEMS OF INTERNAL CONTROL EXERCISED BY MAGOR WITH UNDY TOWN COUNCIL

HIGH LEVEL INTERNAL CONTROLS REQUIRED:

Control Area:	Explanation of requirements:	Magor with Undy's controls:
<p><i>Segregation of duties</i></p>	<p><i>A key feature of an effective control framework is to ensure that where possible, no single individual has sole responsibility for any transaction from authorisation to completion and review.</i></p>	<p>Purchases: Purchase orders shall be raised by Clerk/RFO for all routine purchases. Invoices received shall be checked and authorised by the Clerk / RFO and counter initialled by two Bank mandate authorised Cllr signatories signatories. Details of invoices shall be entered on Finance record - Excel worksheet and Town Councils RBS Finance software program linking to purchase order(when required). Payment of invoices shall be entered by Clerk/RFO with month end reconciliation, providing non single individual responsibility, carried out by the Clerk/RFO. RFO undertakes periodic check of outstanding purchase orders for which invoices have not been received/paid.</p> <p>Emergency Procedures</p> <p>Contracts: All contracts approved/reviewed by Council. Invoices received are checked and authorised by RFO and counter initialled by two Bank mandate Cllr signatories Details of Invoices are entered on Finance record -Excel worksheet and Town Councils RBS Finance software program Payment of invoices entered by Clerk/RFO</p> <p>Debit Card: Clerk/RFO holds debit card for Town Council Current Bank Account Use of card is recorded on Finance record -Excel Worksheet and Town Councils RBS Finance software program. Receipts for such payments are checked at the end of each month and initialled by two Bank mandate Cllr signatories</p>

		<p>Sales: Sales invoices raised by Clerk/RFO and income received shall be promptly banked. Sales receipts shall be checked and entered on Finance record -Excel Worksheet and Town Councils RBS Finance software program.by RFO. RFO undertakes periodic check of sales invoices outstanding.</p>
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<i>Budgetary control</i>	<i>One of the most important financial monitoring activities is budgetary control. This is monitoring the council's performance against its budget. The council should have procedures for regular budget reporting in place.</i>	<p>Income and expenditure account showing: actual current month; actual year to date; current annual budget; spend against budget; variance annual total; funds available; % of budget reported monthly to Full Council (exempting March). Quarterly detailed examination of same undertaken by Full Council.</p> <p>In the event that a request for funding is received for which there is no budgetary provision, the lack of budget provision is highlighted on the agenda for Members information.</p>
<i>Internal Audit</i>	<i>The role of the internal audit is to look at the effectiveness of the council's financial controls. The members should consider reports prepared by the internal auditor that identify weaknesses in internal control.</i>	<p>The Town Councils appointed internal Auditor shall conduct Internal Audits out bi- annually. The annual Internal Audit Report shall be conducted in June and the annual interim Audit Report in December.</p> <p>The Internal Audit Reports are reported into Full Council Meeting following receipt of the Auditors report and the observations and recommendation identified by the Internal Auditor are fully recorded in the minutes and implemented as a matter of priority as soon as practicable..</p>
<i>Payments</i>	<i>The use of cheque payments is diminishing with the use of electronic payment. It is essential that the council has robust controls in place over payments made.</i>	<p>Electronic Payments: All invoices in support of direct debit/standing order payments are authorised by RFO and initialled by two Bank mandate Cllr signatories</p> <p>On line banking is operated for payroll, pension and HMRC tax and NI payments and whenever possible for all other payments. Hard copy documents are authorised by RFO and initialled by two Bank mandate Cllr signatories</p> <p>Electronic Receipts: Identified at monthly bank reconciliation, matched with sales invoice and entered Finance record - Excel worksheet and Town Councils RBS Finance software program by RFO.</p>

INTERNAL CONTROLS OVER ACTIVITIES AND TRANSACTIONS:			
Control Area:	Explanation of requirements:	Example controls:	Magor with Undy's controls:
<i>Income received</i>	<i>The controls in place should provide assurance that the income received is secure, accurately recorded and banked as quickly as possible.</i>	<p><i>All cash and cheques received should be recorded and banked as soon as possible. The following controls should be in place:</i></p> <ul style="list-style-type: none"> • <i>Where possible, at least two people are involved in handling and recording monies received;</i> • <i>Cash collected is banked as soon as possible;</i> • <i>Records are kept of each source of funds or fundraising event in enough detail to identify gross receipts or takings and costs incurred;</i> • <i>Pre-numbered, carbon copy receipts are issued for all payments received.</i> 	<p>All cash and cheques banked within 5 working days.</p> <ul style="list-style-type: none"> • Income received shall be promptly paid into Council Bank Account and recorded in Finance record - Excel worksheet and Town Councils RBS Finance software program • Where income does not relate to sales invoices e.g. rents/grants/precept then it is checked against minutes/expected budget/allotment lists etc. • Very little, if any, miscellaneous income received. Carbon copy numbered receipts are issued.
<i>Trading income and fees</i>	<i>Trading includes all goods and services provided for a fee. Controls should ensure that all income due to the council is received and recorded.</i>	<p><i>Controls will depend on the type of activity carried out by the council. Controls should generally include:</i></p> <ul style="list-style-type: none"> • <i>Establishing a pricing policy for goods and services supplied including regular review of price structures;</i> • <i>Invoicing procedures for all goods and services provided;</i> • <i>Review of outstanding debts and collection procedures;</i> • <i>Procedures to reconcile goods and services provided to amounts invoiced and cash received to outstanding balances.</i> 	<ul style="list-style-type: none"> • All fees and charges reviewed by Full Council annually. • Sales invoices issued for all goods and services provided. (NB letters issued for allotment rents) • Outstanding invoices reviewed and chased. • Sales invoices matched with income. Credit notes issued where appropriate.

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<i>Income records</i>	<i>Internal controls should ensure the council accurately maintains accounting records of income.</i>	<p><i>Certain basic controls performed regularly may serve as an early warning of anything going wrong. Regular checks should be made to ensure that:</i></p> <ul style="list-style-type: none"> <i>• Records of cash and cheques received agree with bank paying in slips;</i> <i>• Paying in slips agree with bank statements both in terms of amount banked and date of credit; and</i> <i>• Transfers or other direct payments into the bank are verified against supporting paperwork.</i> <p><i>These checks should be made by someone other than the person concerned with the original recording of the transactions.</i></p>	<ul style="list-style-type: none"> <i>• Sales invoices checked against pay in's monthly prior to computer data entry.</i> <i>• Paying in slips or record of 'bank transfers in' checked with bank statement as part of monthly bank reconciliation.</i> <i>• Transfers and direct payments checked against sales invoices during monthly bank reconciliation.</i> <p>Sales invoices raised and banking undertaken by Clerk/RFO. Data entry of income and bank reconciliation undertaken by RFO.</p>
<i>Authorisation of expenditure</i>	<i>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.</i>	<p><i>Controls over purchases may include:</i></p> <ul style="list-style-type: none"> <i>• Establishing authority levels for placing orders and approving payments which are clear and documented; and</i> <i>• Ensuring invoices received are checked against orders to confirm prices and the receipt of goods or services ordered.</i> 	<ul style="list-style-type: none"> <i>• Authority levels set out in Financial Regulations which are reviewed annually.</i> <i>• All nonroutine payments reported to Council and authorised prior to commitment. Minute reference quoted on invoice.</i> <i>• Emergency purchases agreed with Chair/Vice Chair and reported to next meeting of Full Council.</i> <i>• Invoices linked to purchase order</i> <i>• Goods received signed for and receipt attached to purchase order on file.</i>

Control Area:	Explanation of requirements:	Example controls:	Magor with Undy's controls:
Wages and salaries	<p><i>The purpose of payroll controls is to make sure that the council pays the correct amounts to genuine employees and HMRC.</i></p>	<p><i>The payment of wages and salaries is often a major item of a council's expenditure and therefore adequate control over these payments is essential. In addition to paying employees, the controls should ensure that the council is not exposed to additional liabilities from breaches of statutory regulations e.g. by failing to correctly deduct tax and national insurance.</i></p> <p><i>Internal controls should be established to ensure that:</i></p> <ul style="list-style-type: none"> <i>• PAYE records are maintained for all employees;</i> <i>• Statutory deductions are paid to HMRC and pension contributions paid to pension providers promptly;</i> <i>• Deadlines for year-end returns to HMRC are met e.g. P35, P11D and P60;</i> <i>• Minimum wage legislation is adhered to;</i> <i>• Only authorised or required deductions are made from pay;</i> <i>• All employees have a proper contract of employment and individuals are not incorrectly classified as self employed;</i> <i>• Personnel records are checked against pay records periodically to prevent payments to former employees;</i> <i>• Changes to pay, hours, overtime or non-standard hours are authorised and</i> <i>• No individual has the authority to set his or her own pay.</i> 	<p>Processing of salaries contracted out to local accountant.</p> <ul style="list-style-type: none"> • PAYE records maintained for all employees. • Statutory deductions paid to HMRC, pension contributions to pension provider one month in arrears. • Contract with local accountant for outsourcing of payroll administration. • Annual review of contracts shall be undertaken by Mayor/Deputy Mayor with further consideration by Full Council if necessary. • Salary payments reported monthly to Council. • Any Changes to pay/hours etc. shall be considered/authorised by Full Council. • Pay scales etc. reviewed annually & authorised by Full Council.

Control Area:	Explanation of requirements:	Example controls:	Magor with Undy's controls:
<i>Assets</i>	<i>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.</i>	<p><i>Internal controls may include:</i></p> <ul style="list-style-type: none"> • <i>Maintaining an asset register.</i> • <i>Regular inspection of fixed assets to ensure they exist, remain in good repair and are being used appropriately;</i> • <i>Appropriate authorisation for the disposal or scrapping of fixed assets; and</i> • <i>Maintaining secure boundaries of any land and buildings held by the council and holding all title deeds securely.</i> 	<ul style="list-style-type: none"> • Asset register maintained and reported to Full Council annually. • Asset inspection undertaken regularly. • Disposals approved by Full Council and recorded on asset register • Security of premises reviewed as part of Risk Assessment. • Title deeds held in locked metal filing cabinet.
<i>Investments</i>	<i>Internal controls should ensure that the council's investments are safeguarded.</i>	<p><i>Controls should include:</i></p> <ul style="list-style-type: none"> • <i>Setting an investment policy;</i> • <i>Maintaining records of all investments held; and</i> • <i>Accounting controls to ensure that all dividends rent or interest payments due are received.</i> 	<ul style="list-style-type: none"> • Investment Statement reviewed and confirmed by Full Council annually. • Bank statements in respect of all invested funds kept on Finance file. • Bank Statements. Year end Bank Reconciliation. Balance Sheet.

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Bank Accounts	<p><i>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.</i></p>	<p><i>Controls should include;</i></p> <ul style="list-style-type: none"> • <i>Monthly preparation of bank reconciliations for all bank accounts. A second person should review the reconciliations and resolve any discrepancies.</i> • <i>Keeping a list of all bank accounts and reviewing it for dormant accounts, that should be closed.</i> <p><i>To maintain the security of bank accounts, the following controls should be in place:</i></p> <ul style="list-style-type: none"> • <i>Segregation of duties to prevent any single person being able to control the council's resources;</i> • <i>Proper approval for movements between and payments from bank accounts;</i> • <i>After each electronic banking transaction details should be taken showing transaction details and stored as part of the accounting record;</i> • <i>Keeping all Pc's with access to online banking facilities secure;</i> • <i>Ensuring all PC's are up to date with anti virus, spyware and firewall software;</i> • <i>Adequate training for those using the electronic banking facility; and</i> • <i>Changing access passwords periodically and following changes in authorised employees and members.</i> 	<ul style="list-style-type: none"> • Monthly Bank reconciliation undertaken, reported to and confirmed by Council. • Details of all bank accounts held on Finance file and reported as part of Annual Investment Strategy review. • Duties split between RFO and two Bank mandate Cllr signatories. • Movements between bank accounts and payments authorised by RFO and two Bank mandate Cllr signatories • On line banking password protected. • Cloud based IT system ensures up to date anti virus, spyware and firewall software. Backed up daily within the UK • Electronic banking undertaken by RFO. Transactions require authorisation by RFO and release by a Bank mandate Cllr signatory and countersigning by a second Bank mandate Cllr signatory. • Online Banking system allows RFO and Counter Signatories to securely login via banking app or PIN sentry device via user unique bank generated codes at each login.