

FINANCIAL INTERNAL CONTROLS - 2020/21

Green items are either new or amended

Risk = Likelihood x Impact 1-2 = acceptable 3+ - item requires control measures		<table border="1"> <tr> <td>Likelihood</td> <td>1</td> <td>Low</td> <td>2</td> <td>Medium</td> <td>3</td> <td>Unacceptable</td> </tr> <tr> <td>Impact</td> <td>1</td> <td>Low</td> <td>2</td> <td>Medium</td> <td>3</td> <td>Unacceptable</td> </tr> </table>						Likelihood	1	Low	2	Medium	3	Unacceptable	Impact	1	Low	2	Medium	3	Unacceptable
Likelihood	1	Low	2	Medium	3	Unacceptable															
Impact	1	Low	2	Medium	3	Unacceptable															
Risk/ Hazard Area	Likelihood	Impact	Initial Risk	Control measures/ Recommendations	Control measures implemented by	Manual / System control	prevention or detection control	Control frequency													
Petty Cash	1	1	1	There is no cash used																	
Cheques:																					
Blank cheques signed	1	2	2	All cheques reviewed against invoices at time of signing - all signatories told to not sign incomplete cheques. Electronic banking to phase this out (Jan 2020)	Clerk	m	p	The Clerk ensures that all invoices are prepared for payment and the checks are made by a designated Councillor at the Full Council meeting													
Unsigned cheques processed.	1	1	1	Mandate in force to ensure two signatures per cheque. Mandate reviewed annually.	MPC	s	p	All payments are checked on monthly basis at the Full Council meeting.													
Cheques have incorrect signatures	2	1	2	The stubs are also initialled by the signatories. All issued cheques are checked against invoices by a Councillor who also initials the invoice. Bank claims of "changed over time" signatures delay processing.	Clerk	s	p	Use of accounting software being investigated to produce reports for verification prior to signing for electronic payments.													
False payments made	1	3	3	All payments are reported at Full Council meetings and listed in the Minutes.	MPC	m	p	Reported monthly; info on website bi-annually listed payment >£500													
Inaccurate processes used	1	3	3	Bank reconciliation performed monthly	Clerk	m	d														
				Invoices that require settlement between Full Council meetings are submitted for checking and authorisation to two Councillors (signatories) and listed and approved at next appropriate Full Council meeting retrospectively	Clerk	m	d														
				Spot checks are made by the Internal Auditor	Internal Auditor	m	d	When required													
Electronic Payments																					
Electronic banking	1	2	2	Designated users (with restricted access to account) still needs 2 'signatures' to enable payments. Clerk to provide list of agreed payments at monthly meeting for authorisation	Parish council + bank	s	p	Monthly													
Unprocessed or additional payments	1	2	2	Clerk to review if a payment does not go thorough bank or is returned. If alternative payment method is needed clerk to arrange asap	Clerk	m	d														
Direct Debits (DD)																					
Duplication with cheque payments.	1	2	2	The payments are distinguished from cheques and listed at Full Council and included in the Minutes.	Clerk	m	d	Monthly													
Old DD not cancelled	1	2	2	Bank statements checked for unrecognised payments . List of active DDs taken to O&F annually for review & approval	O&F	m	d	Monthly (random check undertaken via online banking).													
Expenses:																					
Claims for expenses	1	1	1	Any claim for expenses (accompanied by appropriate receipts) by a Councillor is submitted in writing to the Clerk; even when prior approval granted by the Finance Committee/ Full Council		m	p														
Spurious or inaccurate claims made	1	1	1	As above		m	p														
	1	1	1	As above. Set rate for travel expenses set by Finance Committee annually.	Office & Finance Committee	m	d	It is the Clerk's responsibility to check any claims as received.													
	1	1	1	Payments only made following Full Council approval	Authorised bank signatories	m	p														
Expenses made on un-authorized materials/trips	1	1	1	Any other expenses claim by a councillor requires prior authorisation by the Finance Committee or Full Council.	Chairman	m	p	Clearly breached on occasion													
Excessive claims made (per item or en-masse)	1	2	2	As above. Realistic amount paid for claims by value checking by clerk.		m	p	The Clerk's monthly claims are checked by a Councillor													
Pre Authorised Expenditure:																					
Works additional to contracts/quotes allowing project to be completed safely/suitably	2	1	2	Any two of the Chairman, the Vice Chairman and the Clerk have the authority to incur any expenditure up to £500 where it is in their view necessary or desirable to act without delay The Clerk has authority to incur any item of expenditure up to £200.	The Chairman, Vice-Chairman or Clerk Full Council	m m	p p	definition of "desirable" needed to prevent unauthorised spend													

Risk/ Hazard Area	Likelihood	Impact	Initial Risk	Control measures/ Recommendations	Control measures implemented by	Manual / System control	prevention or detection control	Control frequency
Inappropriate use of delegated powers given	2	2	4	Delegated powers are given to manage specific projects to stop delays. Term of Reference agreed at start of project (covered within Code of Conduct training/ Standing Orders)	Full Council			As required
Use of debit card	1	2	2	The Chairman's allowance is to be used at the discretion of the Chairman (but refer to Expenses section) Clerk to list all expenditure on debit card AS IT HAPPENS and cross reference to bank statement	Chairman (on advice from the Clerk) Clerk	m m	p d	Monthly

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Bank Accounts:								
Multiple bank accounts used; info not recorded	1	3	3	The Parish Council has two bank accounts @ Lloyds + 1 Nationwide (solar). Any intra account transfer must be backed up with paper copy of details.	Clerk and designated Councillor who initials that the accounts balance as seen	m	d	Monthly
Unregulated payments made/ income not logged	1	2	2	Balances are provided to Full Council on a monthly basis and to the Finance Committee when it meets. The Accounts are checked by the Internal Auditor and submitted on the Annual Return to the External Auditor	The Clerk. Mr Prasad to check reconciliation monthly Internal Auditor /External Auditor	m	d	Monthly Annually
Not enough signatories	2	3	6	Signatory list to be reviewed annually at Office & Finance meeting	Member of Office & Finance. Check at April O&F meeting	m	d	Annually
VAT:								
VAT not processed correctly from invoices/receipts	2	2	4	VAT info on invoices checked before processing for payment	The Clerk + non signatory member	m	p	Monthly
				Info on VAT on split claims noted on Accounts spreadsheet page	The Clerk	m	p	Monthly
VAT126 claims not made promptly	2	1	2	VAT Reg number added to Account spreadsheet. Claims submitted every 6 months	The Clerk	m	p	6 monthly
VAT directives not adhered to, or proper advice not sought.	1	3	3	Incorrect claiming of VAT could occur - could lead to HMRC audit. Seek HMRC advice if in doubt on validity of works/item being claimed. Reviews HMRC info as sent out	The Clerk	s	p	Check HMRC website every 6 months at least
Salaries & PAYE:								
Salary Scale does not conform with LGA guidelines	1	1	1	Salary scales agreed by Full Council in accordance with National Association of Local Councils and calculated pro rata to agreed hours.	Prepared by Clerk and checked by the Office & Finance Committee	m	p	Annually
Pension not managed appropriately	1	2	2	Pension opted into by clerk - entitlement reviewed by Office & Finance	Prepared by Clerk and checked by the Office & Finance Committee	m	p	Annually
Tax & NI (employee & employer) not logged/ paid correctly	1	2	2	Deductions for Tax, NI and Employer's NI are calculated using HMRC software and are paid quarterly by cheque	The Clerk & Full Council	m	p	Quarterly
Contract does not cover works undertaken	2	1	2	Employment contracts are reviewed annually	Discussed at O&F meeting	m		Annually
Invoice Processing:								
Invoice is out of scope with contract issued.	1	3	3	All work carried out on behalf of the Parish Council is authorised by either by a contract or by a firm quotation. All invoices are paid on a monthly basis and are checked by a Councillor prior to payment (see cheques)	The Clerk & Full Council	m	p	Monthly
Bank Reconciliations:								
Not done promptly	1	1	1	Monthly reconciliation between bank statements and the accounts are carried out by the Clerk to ensure accuracy. The statements and a supporting document are then produced and agreed at Full Council, with the quarters statements signed off retrospectively at Office & Finance meeting.	The Clerk & Full Council / Office & Finance	m	p	Monthly
Transfers not accounted for	1	2	2	Proof of any and all account transfers (both internal and external) provided alongside relevant bank statement	Clerk & Councillors	m	d	Monthly
Budgetary Controls:								
Budget not reviewed in year	1	2	2	Quarterly summaries of budget and expenditure to date are provided to members of the Finance Committee.	Clerk and the Office & Finance Committee	m	d	Quarterly
Budget not adhered to	1	2	2	Budget complied to in accordance with Financial Regulations & pre-authorised spend controls	Clerk and the Office & Finance Committee	m	p	As and when meetings are held or when required by email
Expenditure not controlled or allocated correctly	1	2	2	Project expenditure to be assigned to budgetary line at onset of discussions.	Clerk and the Office & Finance Committee	m	p	
				Quarterly summaries of budget and expenditure to date are provided to members of the Finance Committee.	Clerk and the Office & Finance Committee	m	p	Quarterly
				The clerk advises Councillors of the impact of any expenditure on the budget.	Clerk and the Office & Finance Committee	m	p	
				There is no requirement for the Council to keep expenditure strictly within budget but every endeavour is made to ensure this is generally the case.	Clerk and the Office & Finance Committee/ Full Council	m	p	As required

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Internal Audit:								
No Internal Auditor appointed	1	2	2	Internal Auditor to be contracted as per any other service. 3 year intent form signed Jan 2018	Office & Finance Committee	m	p	Revised 2018
No set format for internal audit applied	2	1	2	The Internal Auditor reviews procedures and makes spot checks on financial payments and systems and reports to Full Council	Internal Auditor	m	p	Annually (this document!!)
Internal audit report not seen/ actioned by council	1	3	3	Internal auditor report given to every councillor. Actions decided at Office & Finance meeting	Nominated member of Office & Finance Committee	m	p	Annually
Insurance:								
Not sufficient cover	2	3	6	Insurance is not adequate (for sector) or is not checked against current market value	Adequate insurances as advised by specialist broker. Clerk and the Office & Finance Committee/ Full Council	m		3 yearly. Reviewed in 2019
Not compared/ reviewed	1	3	3	Insurance is renewed annually and from April 2013 is on a three year contract which has reduced the premium. When the insurance is up for renewal at least one other quote is sought to ensure value.	Clerk and the Office & Finance Committee/ Full Council	m		Annually or when assets change
Assets:								
All assets not listed	2	1	2	Review payment lists regularly to check for "missed" items	Clerk	m	d	As required
Asset list not updated	1	2	2	The Insurance Company is advised of any changes as required. Clerk to review assets and the policy changed accordingly.	Clerk	s	d	As required
Assets of trusts/ historical assets included	2	1	2	Asset register periodically checked.	Clerk	m	d	Periodically (at least annually)
Verification of Contracts/ Tenders:								
Tenders poorly worded	2	3	6	Tender does not adequately or correctly cover works specification; insufficient experience on part of council in drafting requirements. Professional assistance to be sought if necessary	Committees	m		Prior to tender/ contract going out
Contractor/ works not checked on during process	2	3	6	Works undertaken not reviewed in process by suitably competent person - this does not mean clerk/councillor going to check on progress. Must be compared to specification by a professional.	Specialist	m		During process
Works not compared/ reviewed to specification at sign off	2	3	6	Works completed not checked against original tender/contract. Notation on any additional works agreed during process not added to original tender document. Sign off check done by unqualified person	Specialist	m		Prior to final payment