



OAKHAM TOWN COUNCIL

SYSTEMS OF INTERNAL CONTROL

**Reviewed and approved by the Council
MAY 2017**

GENERAL	
Area	Agreed Controls
Cash Book / Bank Reconciliations	<p>The cash book is kept electronically on the Councils Accounting Software This is maintained up to date by both the Clerk and the Assistant Clerk.</p> <ul style="list-style-type: none"> • Payments are entered as they are made from original documents • Receipts are only entered once any such receipt has cleared the Council's bank account • A record of invoices raised is kept • Cash book is reconciled to bank statements at least monthly • The bank reconciliation is submitted at scheduled monthly meetings of the Council for approval • The latest financial position on the Council's accounts is submitted at scheduled monthly meetings of the Council for approval. • Bank Reconciliations are approved and signed monthly by a member of the Finance Matters and Procedures Working Group and reported to the Council
Financial Regulations and Standing Orders	<ul style="list-style-type: none"> • The Council has adopted Financial Regulations and Standing Orders based on model versions prepared by the National Association of Local Councils and the Society of Local Council Clerks. • The documents are reviewed at least annually by the Finance Matters and Procedures Working Group and Policies and Procedures Working Group respectively and any amendments considered and approved by the Council
Order / Tender Controls	<ul style="list-style-type: none"> • Financial Regulations list the procedure for obtaining quotes or tenders that must be invited depending on the value and nature of the work • A proper legal power must be identified for expenditure <p>(Note that the Council has resolved to exercise its right to use the General Power of Competence until the next ordinary elections in May 2019)</p>

GENERAL (CONTINUED)

Area	Agreed Controls
Payment Controls	<ul style="list-style-type: none">• Depending on the nature of the supply, RFO (or Assistant Clerk) to check purchase invoice for accuracy and to ensure that the supply has been received and not previously paid• Purchase / work orders are matched to purchase invoices where applicable and attached to the appropriate invoice prior to cheque being signed• Purchase / work orders are to specify if appropriate or known the value of the work ordered. If not known then a maximum amount to to be stated.• Purchase / Work Orders to be selectively checked to ensure that work has been completed. This to be evidenced on the actual Order by the person checking the work• Written confirmation (via e-mail or other means) required for certain level of expenditure as detailed in the Financial Regulations• Cheques to be signed by two councillors approved by resolution and as detailed on the Council's Bank Mandates• Signatories are required to check the amount payable against the invoice and that the cheque is made payable to the person or company detailed on the invoice• Signatories are also required to sign both the invoice and the cheque stub• The original invoice will be made available to those signing cheques along with the appropriate Purchase / Work Order• Payments are assigned a voucher number by the Council's accounting software which is used to identify the transaction in the list of payments to be authorised by the Council• Payments are retrospectively authorised by the Council at its scheduled monthly meetings• Signatories are in no circumstances to sign blank cheques• Where practicable different signatories are used

GENERAL (CONTINUED)

Area	Agreed Controls
Electronic Banking	<ul style="list-style-type: none">• Organisations paid by electronic banking have to be authorised by resolution of the Council• Documentation relating to payments made by these means will be made available• Two signatories are to sign such documentation as well as any order for payment (i.e BACS)• Orders for payment by electronic means are originated by either the RFO or Assistant Clerk• Any notification of a change in banking details by an organisation paid in this way must be verified as per the Council's Financial Regulations before any alteration is made• Once verified those carrying out this task are required to ensure that amended details are entered correctly• Transfers between the Council's accounts to ensure sufficient funds are available to meet financial commitments do not require authorisation
VAT	<ul style="list-style-type: none">• RFO (or Assistant Clerk) to verify that all invoices on which VAT is reclaimed are made payable to Oakham Town Council• A separate VAT account is included in the Council's accounting software to ensure that the correct amount is reclaimed in each financial year.• A separate manual record is maintained to check against the amount the accounting software says is to be paid or reclaimed• Where historical inaccuracies are identified then these will be manually entered to correct the error• These inaccuracies are to be verified by at least two members of the Financial matters and Procedures Working Group and reported to the Council

GENERAL (CONTINUED)

Area	Agreed Controls
Income Controls	<ul style="list-style-type: none">• RFO to ensure that the amount of precept is received in accordance with the precept demand• RFO to ensure that the Council tax Support Grant is also received• RFO to ensure that other receipts are received when due and correctly calculated• Receipts issued for any cash received• Any cash received banked by end of day
Financial Reporting	<ul style="list-style-type: none">• A budget report comparing actual receipts and payments against the agreed budget is prepared monthly and presented to the Council• A phased (or flexed) budget is also prepared monthly detailing receipts or payments against that anticipated in the agreed budget• Explanations of significant variations in the phased budget are reported to the Council (“significant” meaning + / - 15% of the total individual budget heading)
Payroll Controls	<ul style="list-style-type: none">• Staff Contracts are approved by the Council• Any reviews or amendments may first be considered by the Staffing Committee prior to being approved by the Council• All employees are paid under PAYE• Necessary systems in place for Real Time Information (RTI) submissions to Her Majesty’s Revenue and Customs (HMRC)• Salaries are approved by the Council in line with national guidelines• Salary increases agreed at a national level will be reported to the Council by the Clerk as and when notified• Additional hours are approved as per employee’s contracts• The RFO to ensure that all necessary payroll returns are made to HMRC• Salaries are paid by BACS and evidenced by two signatories• Payments to HMRC are paid by BACS and evidenced by two signatories• Pension contributions are paid by BACS and evidenced by two signatories• All records retained for the statutory time period

GENERAL (CONTINUED)

Area	Agreed Controls
Budgetary Controls	<ul style="list-style-type: none">• A draft budget is prepared by the Financial Matters and Procedures Group for initial consideration in September or October• Spending Committees to agree their own budgetary requirements by the end of November• Budget finally approved in January• Precept demand to be sent to Rutland County Council by the deadline set by them
Asset Control	<ul style="list-style-type: none">• Asset Register maintained to March 31st of each year by the RFO• The adequacy of insurance cover is considered annually by the Council in advance of any insurance renewal• Disposal or acquisition of any assets over £500 is recorded
Risk Assessment	<ul style="list-style-type: none">• A risk assessment is carried out annually by the Clerk and presented to Council for approval. Such approval to be minuted accordingly
Expenses	<ul style="list-style-type: none">• Any expenses claim by either members or officers is to be submitted on an expenses claim form and accompanied by receipts• Mileage will be reimbursed at a limit set from time to time by HMRC• All expenses exceeding £25.00 are paid by cheque with appropriate evidence that the expense has been previously authorised as per the Council's Financial Regulations i.e signed by the Chairman and / or the Clerk as per Financial Regulations• Expenses claims less than £25.00 may be paid from Petty Cash. Two signatories to sign claim form

FRAUD

Area	Agreed Controls
Signatories	<ul style="list-style-type: none">• Signatories to the Council's accounts are not concentrated amongst a small number of members
Internet transfer of funds to an external account	<ul style="list-style-type: none">• Bank reconciliations verified and checked against statements by nominated member on a regular basis. Such visits may be unannounced• Bank reconciliations supplied monthly to members at a Council meeting as part of the monthly Statement of Accounts
BACS payments to suppliers	<ul style="list-style-type: none">• List of suppliers to be paid by BACS payments authorised by resolution of the Council.• Instructions for payment evidenced by two authorised Bank Signatories• Notification of change to banking details by a supplier to be approved in writing by either two authorised signatories or the RFO and one authorised signatory
Single invoice or other expenditure exceeding £5000	<ul style="list-style-type: none">• Paid by cheque but needs authorisation of the Council
Misuse of Debit Card (if supplied)	<ul style="list-style-type: none">• Debit Card only to be used by Clerk up to a maximum of £500 for one individual transaction unless otherwise agreed by resolution of the Council or Committee• Transaction record evidenced by two authorised bank signatories

FRAUD (CONTINUED)

Area	Agreed Controls
Direct Debits and Standing Orders	<ul style="list-style-type: none">• List of suppliers to be paid by Direct Debit or Standing Order to be approved by resolution of the Council• Instructions to bank to make such payments to be signed by two authorised bank signatories
Creation of false Work Order	<ul style="list-style-type: none">• Periodic check by bank signatories or the Chairman of Work Orders issued• Suppliers contacted if deemed necessary to verify they are genuine• Random checks of work carried out to be done and evidenced
Theft of petty cash	<ul style="list-style-type: none">• Amount checked against records as part of unannounced visits by bank signatories or Chairman
False instructions to Cambridge Building Society	<ul style="list-style-type: none">• Building Society instructed that cheques are only to be made payable to Oakham Town Council.
Theft of cash for the Mayor's Charity	<ul style="list-style-type: none">• Cash to be banked by the end of the following day.• Chairman to verify that this has happened
Theft of other cash received	<ul style="list-style-type: none">• Signatories or Chairman to be informed that cash has been received with details of person paying the cash.• Signatories or Chairman to verify that a receipt has been issued and the amount banked.
Forging of signatures on cheques	<ul style="list-style-type: none">• Cheque stubs checked on unannounced visits. Explanation required for missing stubs.