



# **Financial Statement Control Policy**

## **Diss Town Council**

Adopted by Full Council on 13/03/2023

Resolution No: FC/

## Contents

No	Name	Page
1.	Scope of Responsibility	3
2.	The purpose of the system of Internal Control	3
3.	The Internal Control Environment	3
4.	Payments	3
5.	Risk Assessment	4
6.	Internal Audit	4
7.	External Audit	4
8.	Effectiveness	4
App 1	Review of Financial Control Effectiveness	5
App 2	Internal Control Procedures	6
App 3	Internal Controls Councillor Checklist Table	7
App 4	Internal Financial Applications	8

## **1. Scope of Responsibility**

Diss Town Council (the Council) is a local authority funded largely by public money and is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively.

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

## **2. The Purpose of the System of Internal Control**

2.1 The Council's system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risks of failure. It can therefore only provide reasonable and not an 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,
- evaluate the likelihood of those risks being realised, and the impact should then be realised
- manage them effectively and economically.

2.2 The system of internal control accords with the practices set out in the Governance and Accountability for Smaller Authorities in England (March 2017).

## **3. The Internal Control Environment**

3.1 The Council reviews its obligations and budgets and the level of precept required for the following year between October and February each year.

3.2 The full Council meets 11 times during the year and monitors progress against its aims and objectives at each meeting by reviewing and ratifying all Committee decisions. The Council carries out regular reviews of its internal controls, systems, and procedures and has to exercise a proper and reasonable degree of control over financial matters, which it achieves by delegating the task to the Internal Controls Councillor (ICC).

3.3 The Council has appointed: a Town Clerk who acts as the Council's advisor and administrator, a Deputy Town Clerk who deputises for the Town Clerk and carries out the statutory and delegated functions of the Town Clerk in his/her absence due to annual leave or sickness. and a Responsible Financial Officer (RFO).

3.4 The RFO manages and administers the Council's finances and is responsible for the day-to-day compliance with laws and regulations which the Council is subject to and for managing risks as well as ensuring adherence to the Council's procedures, control systems, and policies. The RFO is supported by one part-time Finance Officer.

## **4. Payments**

4.1 The Council has adopted Financial Regulations, based on the National Association of Local Council's model which set parameters for the Council's financial operations. The majority of payments are made by the Bankers Automated Clearing System (BACS) as used by the bank at which DTC holds accounts and cheques authorised at full Council meetings drawn on a bank account in the name of Diss Town Council. Two Members and an officer of Diss Town Council must sign every cheque, check the payment slips and initial all payment slips and cheque counterfoil.

## **5. Risk Assessment**

5.1 Diss Town Council reviews its Risk Management Policy annually.

## **6. Internal Audit**

6.1 The Council will appoint an independent, competent internal auditor prior to the start of the financial year. <sup>1</sup>

## **7. External Audit**

7.1 The External Auditor is independently appointed and is currently PKF Littlejohn LLP. <sup>2</sup>

## **8. Effectiveness**

8.1 The Council has responsibility for conducting an annual review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is monitored by:

- The Council
- The Town Clerk/RFO who has responsibility for the design and maintenance of the internal control environment and managing risk.
- The independent internal auditor who reviews the Council's systems.
- The external auditor who makes a final check using the annual return.
- The external auditor in their annual report.

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<sup>1</sup> Internal & External Auditor Policy

<sup>2</sup> Internal & External Auditor Policy

## **Review of Financial Control Effectiveness**

1. The Council is required to review at least annually the effectiveness of its system of financial control.
2. On the recommendation of the RFO and in accordance with the Council's Financial Regulations and on the adoption of this policy the Executive Chair and Internal Controls Councillor will undertake inspections/checks every two months of the finances and their procedures, they will then conduct a review meeting regarding their findings with the RFO/Finance Officer and provide a written report to Council.
3. The first inspection and meeting to be undertaken in April and then bi-monthly regarding all of the items listed below: -
  - The last review date of the Council's Standing Orders
  - The last review date of the Council's Financial Regulations
  - The last review date of the Terms of Reference for Committees or the last review date of the Terms of Reference for Portfolio Holders
  - Evidence that quarterly budget monitoring reports have been presented to Council
  - Evidence of quarterly bank reconciliations (checked back to original bank statements in accordance with Financial Reg. 2.2)
  - Data Protection – that the Council is protecting data in accordance with current Data Protection legislation and the General Data Protection Regulation (May 2018)<sup>3</sup>
  - Transparency Code 2015 – that the Council has up to date financial information Which is displayed correctly on their website.

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<sup>3</sup> Data protection policy

## INTERNAL CONTROL PROCEDURES

WORK ELEMENT	INTERVAL	ACTION OF RFO	COUNCIL ACTION
CASH FLOW	Monthly	To report income from grants, donations, etc.  To report on accounts to be paid.	To consider and amend/note income.  To consider invoices and authorise payments.
INCOME & EXPENDITURE ACCOUNT and BANK RECONCILIATION	Quarterly	To present to Council a breakdown of receipts & payments, together with bank balance information including expenditure against budget.	To consider and receive the report.
BANK STATEMENTS	Monthly	To check bank statements against receipts & payments. To present to the Council a monthly bank reconciliation.	Check monthly bank reconciliation.
PETTY CASH	None		
VAT RETURNS	Annual	To make a claim to recover VAT on at least an annual basis.	To check claim has been made, immediately following the end of the financial year (31st March).
PAYE INCOME TAX & NATIONAL INSURANCE CONTRIBUTIONS	Monthly  Annual	To pay appropriate PAYE Income Tax and National Insurance Contributions on a monthly basis  To complete Employer Annual Return by date specified.	To check payments have been made.  To check annual return has been completed and sent
ASSET REGISTER	Annual	To present a report to Council on assets and up-to-date values.	To consider and adopt the reports.
INSURANCES	Annual	To present to Council a report on insurance held and required.	To consider and adopt the report.
END OF YEAR ACCOUNTS AND AUDIT DOCUMENTATION	Annual	To prepare receipts & payments accounts and balance sheet, together with external audit papers for presentation to Council as soon as possible after 31 March.	To consider and adopt the accounts and approve the audit papers.
INTERNAL AUDIT	Annual	To have an audit of the Council's accounts and procedures by an outside, competent agency. The internal audit precedes the formal external audit and feeds into it	To appoint an internal auditor, and to receive and consider the internal auditor's report.
RFO	Annual	To have a work review and personal action plan, including training if necessary.	To be conducted by the Clerk ( <i>or Executive Chair</i> )
COMPUTER FILES	Monthly	To ensure that files are regularly backed up onto a portable hard drive / cloud storage.	To be verified in work review conducted by the Clerk ( <i>or Executive Chair</i> )
DOCUMENT SAFETY	As required	To ensure that all essential documents are securely held, and signed minutes are archived on a regular basis.	To be verified in work review conducted by the Clerk ( <i>or Executive Chair</i> )
LEGISLATION	As required	To inform Council of legislation impinging on the Council and/or its policies and work programmes.	To consider and act upon the reports.

## INTERNAL CONTROLS COUNCILLOR CHECKLIST TABLE

ACTION	AUDIT TRAIL	EVIDENCE SEEN (initialled)
ALL ANTICIPATED INCOME RECEIVED	<p>PRECEPT RECEIVED FROM SOUTH NORFOLK DISTRICT COUNCIL</p> <ul style="list-style-type: none"> <li>• On receipt of form from SNDC complete with approved and minuted precept amount</li> <li>• Note entry on bank statement and record Income on accounts ledger</li> </ul> <p>INTEREST RECEIVED</p> <ul style="list-style-type: none"> <li>• Noted on monthly bank reconciliation and Bank statement (monthly)</li> <li>• Two statements (2 bank accounts) received and actioned</li> </ul> <p>VAT REFUNDED (Yearly)</p> <ul style="list-style-type: none"> <li>• Each purchase invoice checked for VAT content, VAT supplier number and recorded in ledger</li> <li>• Reconcile with Payments report for same period</li> <li>• Remittance advise received</li> <li>• Check payment arrived in nominated bank account</li> </ul>	
EXPENDITURE BROADLY IN LINE WITH BUDGET	<ul style="list-style-type: none"> <li>• Invoices entered into accounts ledger</li> <li>• Quarterly accounts summary presented to Councillors and sent with agenda, prior to Full Council meeting</li> </ul>	
EXPENSES ARE PROPERLY AUTHORISED BEFORE PAYMENT IS MADE	<ul style="list-style-type: none"> <li>• Supplier Invoices are itemised for payment on payment schedule sent with monthly agenda</li> <li>• Invoices are checked by Clerk or RFO and these are then authorised by two members via BACS and subsequently authorised a second time by either the Clerk or RFO.</li> <li>• Councillors note invoices for payment.</li> <li>• Cheques signed by three authorised signatories, 2 councillors and either the Clerk or the RFO.</li> </ul>	
RECORDING OF INCOME & EXPENDITURE AND A BANK RECONCILIATION	<ul style="list-style-type: none"> <li>• Purchase invoices are recorded onto payment schedule every month</li> <li>• Income is deposited into Lloyds Bank via the Post Office in line with Financial Regulations and internal controls (cash handling)</li> <li>• Bank reconciliation produced monthly and sent with full council meeting agenda</li> </ul>	

Date review conducted	
ICC conducting review	
Signed	
Date	

**Internal Financial Applications**

**INCOME – Cash/Cheques**

No	PROCEDURE	CARRIED OUT BY	CHECKED BY
1.	Write out receipt for all income received	Finance Officer	Responsible Finance Officer
2.	Appropriate invoice, interment or memorial application, or diary entry to be marked with receipt number	Finance Officer, Lead administrator	Responsible Finance Officer
3.	Income to be entered in Cash book with either invoice and/or receipt number under appropriate budget heading	Finance Officer	Responsible Finance Officer
4.	Monthly – all cheques and cash to be agreed with cash book and banked	Finance Officer	Responsible Finance Officer
5.	Weekly – check general bank account for income received via BACs	Finance Officer	Responsible Finance Officer
6.	Monthly – last working day of each month, all cheques and cash to be agreed with cash book and banked.	Finance Officer	Responsible Finance Officer
7.	Monthly analysis to be agreed in cash book and with computerised accounts system.	Finance Officer	Responsible Finance Officer
8.	Monthly - all entries to be entered into computerised accounts system	Finance Officer	Responsible Finance Officer
9.	Monthly Bank reconciliation	Finance Officer	RFO and Internal Controls Councillor
10.	Ensure the annual Precept is paid by South Norfolk District Council into the current account by BACs in two equal instalments – end of April and September each year. As soon as the funds are in the bank account transfer the Precept funds to the investment account.	Responsible Finance Officer	As part of Internal Audit

**EXPENDITURE**

**Wages & Petty Cash Account (signatory any two of the Deputy, the Clerk or RFO only up to £40,000)**

No	PROCEDURE	CARRIED OUT BY	CHECKED BY
1.	A receipt must be obtained for all expenditure, in the case of wages employees to complete appropriate time sheet	Responsible Finance Officer	Town Clerk
2.	Voucher to be completed for each payment showing name of payee, nature of goods, budget heading (s) cheque number & amount – split net, VAT and gross amounts	Responsible Finance Officer	Town Clerk

3.	Wage documentation to be filed in staff wage records.	Finance Officer	Responsible Finance Officer
4.	End of each month prepare a list of all payments with details as above	Responsible Finance Officer	Town Clerk/ Dep Town Clerk
5.	List of Payments to be sent to the signatories for approval	Responsible Finance Officer	Town Clerk/ Dep Town Clerk
6.	RFO to arrange a bank transfer.	Responsible Finance Officer	Town Clerk/ Dep Town Clerk
7.	RFO to Set up the transactions on Wages & PC Account	Responsible Finance Officer	Town Clerk/ Dep Town Clerk
8.	Town Clerk to approve the transactions and the payments are released	Responsible Finance Officer	Town Clerk/ Dep Town Clerk
9.	Monthly - All entries to be entered into computerised accounts system.	Responsible Finance Officer / Finance Assistant	Internal Controls Councillor
10.	Monthly Bank reconciliation	Responsible Finance Officer / Finance Assistant	Internal Controls Councillor
NB	Maximum permitted amount in the account at any one time £40,000, wages prepared by two different members of staff (includes Town Clerk). Fidelity insurance cover to £500,000.		

**General Account (signatories' requirement any 2 Councillors and the Clerk, Deputy Clerk or RFO)**

No	PROCEDURE	CARRIED OUT BY	CHECKED BY
1.	All invoices filed in Accounts for Payment file. (Sundry Creditors)	Finance Officer	Responsible Finance Officer
2.	Check invoices against official orders and delivery notes, for accuracy and prepare for twice monthly payment run	Finance Officer	Town Clerk
3.	Liaise with NALC reference staff wages and makes relevant payments	Finance Officer/RFO	Town Clerk
4.	Prepare electronic payments for approval by signatories twice a month	Finance Officer	Responsible Finance Officer/ 2 Signatories
5.	Voucher to be completed for every payment showing name of payee, nature of goods, budget heading (s), voucher no. (cheque no. if appropriate) & amount – split net, VAT and gross amounts, and stapled to invoice (s)	Finance Officer	Town Clerk / RFO

6.	Prepare a Spreadsheet in order alphabetically.	Finance Officer	Responsible Finance Officer/ 2 Signatories
7.	Set up the bank transactions	Finance Officer	Town Clerk/RFO
8.	Arrange a bank transfer based on this Spreadsheet.	Finance Officer	Town Clerk/RFO
9.	Contact the Signatories on authorisation rota to come to the council office to authorise the payments.	Finance Officer	Town Clerk/RFO
10.	Any queries from the Councillors regarding the payments can be resolved by the staff and the payment documentation will be available to view.	Finance Officer	Town Clerk/RFO
11.	Notify the signatories that the transactions have been set up for online authorisations.	Finance Officer	Town Clerk/RFO
12.	Signatories approve the transactions, and the payments are released	Finance Officer	Town Clerk/RFO
13.	All entries to be entered into computerised accounts system.	Finance Officer	Town Clerk/RFO
14.	Monthly prepare list of payments made for inclusion with the next convenient agenda of the Executive Committee or Full Council	Finance Officer	Town Clerk/RFO
15.	Cheques to be signed or electronic payments approved by two of the Councillor signatories, with the Clerk, Deputy Clerk or RFO to also countersign cheques. Cheque stubs to be initialled by signatories	Finance Officer	Town Clerk/RFO
15.	Ensure sufficient funds in bank account, raise necessary transfers between bank accounts	Finance Officer/RFO	Town Clerk
16.	Cheques to be sent to creditors within two weeks in line with BACS payment schedule.	Finance Officer	Town Clerk/RFO
17.	Vouchers & invoices to be filed	Finance Officer	Town Clerk/RFO
18.	Monthly Bank reconciliation	Finance Officer	RFO and Internal Controls Councillor
19.	Publish EMR and community grants awarded on DTC website	Marketing Administrator	Town Clerk/RFO
20.	In case of new or infrequent expenditure quote the statutory authority being used on the payment voucher and ensure inclusion in the minutes	Responsible Finance Officer	Town Clerk/ Deputy TC

### **Town Mayor's Charity Account (signatories Town Mayor and the Clerk or RFO)**

**This is a current account used solely for monies raised and expenditure incurred relating to fundraising, for the Town Mayor's nominated charity/charities during his/her term of office.**

### **INCOME – Cash/Cheques**

<b>No</b>	<b>PROCEDURE</b>	<b>CARRIED OUT BY</b>	<b>CHECKED BY</b>
1.	Financial Summary Excel spreadsheet to be opened at the beginning of each Mayoral Year	Finance Officer	Town Clerk/RFO
2.	Excel spreadsheet to be opened for each fundraising event (Concerts, Mayor's ball)	Finance Officer	Town Clerk/RFO
3.	Income to be entered in Cash book under Town Mayor's Charity heading and on to appropriate event spreadsheet	Finance Officer	Town Clerk/RFO
4.	Monthly – all cheques and cash to be agreed with cash book and banked in Town Mayor's Charity account	Finance Officer	Town Clerk/RFO
5.	Monthly – last working day of each month, all cheques and cash to be agreed with cash book and banked in Town Mayor's Charity account	Finance Officer	Town Clerk/RFO
6.	Monthly analysis to be agreed in cash book and with computerised accounts system	Finance Officer	Town Clerk/RFO
7.	Monthly Bank reconciliation	Finance Officer	RFO and Internal Controls Councillor
8.	After each fundraising event, income from individual spreadsheet to be entered onto Financial Summary spreadsheet	Finance Officer	Town Clerk/RFO

## EXPENDITURE

<b>No</b>	<b>PROCEDURE</b>	<b>CARRIED OUT BY</b>	<b>CHECKED BY</b>
1.	Check invoices against official orders and delivery notes, for accuracy and prepare for payment	Finance Officer	Town Clerk/RFO
2.	Voucher to be completed for every cheque showing name of payee, nature of goods, budget heading (s), cheque number & amount – split net, VAT and gross amounts, and stapled to invoice (s)	Finance Officer	Town Clerk/RFO
3.	Prepare cheques for signature by authorised internal and external signatories	Finance Officer	Town Clerk/RFO
4.	Expenditure to be entered on to appropriate event spreadsheet	Finance Officer	Town Clerk/RFO
5.	Cheques to be sent to creditors	Finance Officer	Town Clerk/RFO
6.	Vouchers & invoices to be filed in Sundry Creditors' file	Finance Officer	Town Clerk/RFO
7.	All entries to be entered into computerised accounts system	Finance Officer	Town Clerk/RFO
8.	Monthly Bank reconciliation	Finance Officer	RFO and Internal Controls member
9.	After each fundraising event, expenditure from individual spreadsheet to be entered onto Financial Summary spreadsheet	Finance Officer	Town Clerk/RFO