



## Effectiveness of Internal Controls

### Background

The greatest risk facing a Town Council is that it is unable to continue its business as defined by law. Managing risk covers dealing with financial matters, issues of health and safety and ensuring plans are in place to achieve the Council's objectives. The failure to manage risks effectively can be expensive items in terms of litigation, reputation and the ability of the Council to achieve desired targets.

The new approach to the auditing of local councils places the responsibility on local councils to strengthen governance arrangements. It shows local government as open and accountable, assuring the council taxpayer that all is well. Councillors are ultimately responsible for identifying and managing risk in relation to what the Council is trying to achieve.

The Council has evaluated how likely it is that a risk is present in any activity and the potential consequences (financial loss, difficulties in meeting its legal obligations etc.) Some consequences may not have an immediate financial impact but could have an adverse effect on the Council's standing in the community. The assessment of potential impact need not be any more complex than classifying each impact as *high*, *medium* or *low*. This assessment enables the Council to decide which risks it should pay most attention to when considering what measures to take to manage the risks.

## **Method**

The Council

- (a) Identified key risks facing the Council in achieving its objectives and priorities;
- (b) Evaluated the potential consequences to the council if an event identified as a risk takes place; and
- (c) Decided upon appropriate measures to avoid, reduce or control the risk and its consequences;
- (d) Published a plan for the review of systems and procedures;
- (e) Continued the practice of maintaining the minutes of meetings as an essential record of the review and management of risk;
- (f) Established a protocol for the use of council-owned computers and other equipment;
- (g) Agreed that the activities listed in the Appendices are an accurate list of current practices.

## **RISK ASSESSMENT**

### **Part 1**

#### **Audit Risk**

##### **(a) Areas where there may be scope to use insurance to help manage risk.**

- i. Risk Identification
- ii. Internal Controls
- iii. Internal Audit Assurance

##### **(b) Dealing with Outside Bodies Incurring Risk**

- i. Risk Identification
- ii. Internal Controls
- iii. Internal Audit Assurance

##### **(c) Self Managed Risk**

- i. Risk Identification
- ii. Internal Controls
- iii. Internal Audit Assurance

**Part 2**                    **Operating Risk**  
**(a) Risks affecting the Council's ability to deliver services**  
**(b) Operating procedures**  
**(c) Large Projects**

**Part 3**                    **Identifying risk to the Council under current legislation**

**Part 4**                    **Financial Procedures**

## **PART 1 – AUDIT RISK**

**(A) AREAS WHERE THERE MAY BE SCOPE TO USE INSURANCE TO HELP MANAGE RISK.**

### **(i) Risk Identification**

Insurance cover for risk is the most common approach to certain types of inherent risks. Camborne Town Council insures through Zurich Insurance using a NALC recommended policy.

- *The protection of physical assets owned by the Council*  
The Council owns ~~two~~ 5 buildings, the statue of Richard Trevithick and its base, the Town fountain and equipment, street furniture in the town centre, the mechanism that works the Town Clock, four vehicles, four recreation grounds, allotments, maintenance equipment and tools, one war memorial, , and seven notice boards located throughout the town and parish. All items within the Town Council ownership are identified within the Council's insurance policy schedule and are insured for replacement value.

- *The risk of damage to third party property of individuals as consequence of the Council providing services or amenities to the public (public liability)*  
The Council carries public liability in respect of all its activities.
- *The risk of consequential loss of income or the need to provide essential services following critical damage, loss or non-performance by a third party.*  
This risk is insured as consequential loss
- *Loss of cash through theft or dishonesty*  
The Council's policy provides a fidelity guarantee set at a level recommended by the Auditor.
- *Legal liability as a consequence of asset ownership*  
This liability is covered by insurance under the Council's public liability insurance.
- *The risk of illness or injury caused by work to an employee*  
This liability is insured through Employers Liability

## **(ii) Internal controls**

Camborne Town Council's controls include:

- *An up to date register of assets and investments*
- *Regular inspection and maintenance of physical assets*
- *Annual review of risk and adequacy of insurance cover*
- *Ensuring the robustness of insurance providers*
- *Robust electronic banking processes.*
- *Policies for internal control (eg Financial Regulations)*

## **(iii) Internal audit assurance**

- *Review of internal controls and their documentation*
- *Review management arrangements regarding insurance cover*
- *Test specific internal controls and report findings to management*

## **(B) DEALINGS WITH OUTSIDE BODIES INCURRING RISK**

### **(i) Risk identification**

## 1) Services carried out by the Council on behalf of outside bodies

- **Path Trimming on behalf of Cornwall Council**

The Amenities team is responsible for the maintenance and trimming of the definitive footpaths within the parish boundary. Separate risk assessments are in place for the work carried out by the team in performance of this duty.

- **Cutting grass verges on behalf of Cornwall Council**

The Amenities Team is responsible for cutting six grass verges in the parish. A separate risk assessment is in place for the work carried out by the team in performance of this duty.

- **Weed Treatment on Paths within the Parish**

- The Amenities Team carry out ad-hoc weed treatment on pathways, there are risk assessments and appropriate PPE in place,

## 2) Banking arrangements, including borrowing or lending

- Loan arranged with Public Works Loan Board for purchase of Workshop/Store. The loan is on a fixed rate and adequate provision for repayment has been made in the Council's budget;
- The Council's current account is held with Unity Trust which has robust controls in place for the release of electronic payments.
- The Council also holds funds in the CCLA Public Sector Deposit Fund and Unity Trust Instant Access Savings Account to manage risk.

## 3) Ad hoc provision of amenities/facilities for events for local groups

### (ii) Internal Controls

Camborne Town Council's controls include:

- *Standing Orders and Financial regulations dealing with the award of contracts for services or the purchasing of capital equipment*
- *Regular reporting on performance by suppliers/providers/contractors*
- *~~Ellis Whittam~~ Citation appointed as the competent person for Health, Safety and Welfare; annual audits performed and subsequent action plan monitored.*

- *Effective Health and Safety policies and procedures.*
- *Annual review of contracts*
- *Monthly bank reconciliation, independently reviewed*

### **(iii) Internal audit assurance**

- *Review of internal controls in place and their documentation*
- *Review of minutes to ensure legal powers are available, and the basis of the powers correctly applied*
- *Review and testing of arrangements to prevent and detect fraud and corruption*
- *Review of adequacy of insurance cover provided by suppliers*
- *Testing of specific internal controls and reporting findings to management*

## **(C) SELF MANAGED RISK**

### **(i) Risk identification**

- *Keeping proper financial records in accordance with statutory requirements*
- *Ensuring all business activities are within legal powers applicable to local Councils*
- *Safeguarding Policy and training provided.*
- *Complying with restrictions to borrowing*
- *Qualified Clerk, ie CiLCA qualification.*
- *Ensuring that all requirements are made under employment law and Inland Revenue regulations*
- *Ensuring all requirements are met under Customs and Excise regulations (especially VAT)*
- *Ensuring the adequacy of the annual precept within sound budgeting arrangements*
- *Monitoring performance against agreed standards of partnership agreements*
- *Ensuring the proper use of funds granted to local community bodies under specific powers or the General Power of Competence.*
- *Ensuring continued eligibility to use the General Power of Competence at the Annual Meeting each election year.*
- *Proper, timely and accurate reporting of Council business in the minutes*
- *Responding to electors wishing to exercise their rights of inspection*
- *Meeting the laid down timetables when responding to consultation invitation*
- *Proper document control*

- *Register Councillors interest and gifts and hospitality in place, complete, accurate and up to date.*

## **(ii) Internal Controls**

Camborne Town Council's controls include:

- *Regular scrutiny of financial record and proper arrangements for the approval of expenditure*
- *Annual confirmation from the Inland Revenue to confirm PAYE arrangements for all employees.*
- *Contracts of employment for all staff, annually reviewed by the HR, systems of updating records for any changes in relevant legislation*
- *Regular returns of VAT: training the responsible officer in matters of VAT and other taxation issues as necessary*
- *Regular budgeting monitoring statements*
- *Developing systems of performance measurement*
- *Procedures for dealing with and monitoring grants and loans made or received*
- *Minutes properly numbered and paginated with a master copy kept in safekeeping*
- *Documented procedures to deal with enquiries from the public*
- *Documented procedures to deal with consultation requests*
- *Documented procedures for document receipt, circulation, response handling and filing*
- *Procedures in place for monitoring Councillors interests and gifts and hospitality received*
- *Adoption of codes of conduct for Councillors*
- *Up to date Health and Safety Policy.*
- *Bi-monthly monitoring of Health and Safety responsibilities and procedures.*

## **(iii) Internal audit assurance**

- *Review of internal controls in place and their documentation*
- *Review of minutes to ensure legal powers in place, recorded and correctly applied*
- *Testing of income and expenditure from minutes to cashbook, from bank statements to cashbook, from minutes to statements etc. including petty cash transactions*
- *Review and testing arrangements to prevent and detect fraud and corruption*
- *Testing of disclosures*
- *Testing of specific internal controls and reporting findings to management.*

## OPERATING PROCEDURES

### Procedures to deal with enquiries from the public

- All telephone enquiries from public are dealt with promptly and passed to the relevant Councillors, Statutory Bodies or Organisations.
- All written enquiries and e-mails are acknowledged if appropriate and are treated as correspondence.

## PART 3

### Resolutions identifying risk to the Council under current legislation

Camborne Town Council is aware of the importance of complying with all relevant legislation that affects its conduct and the provision of services. It takes all reasonable steps to ensure compliance with all such legislation at all times.

<b>CAMBORNE TOWN COUNCIL FINANCIAL PROCEDURES</b>						
<b>REF. NO</b>	<b>PROCEDURE DESCRIPTION</b>	<b>WHO</b>	<b>WHEN/ FREQUENCY</b>	<b>AUTHORISED/CHECKED BY</b>	<b>WHEN/ FREQUENCY</b>	
	<b>INCOME</b>	<b>1</b>				
1.1	Income received either by cash, cheque or direct credit to the Bank Account should be checked to ensure that the amount is correct and any queries reconciled.	Finance Administrator	As soon as income is received	Finance & Strategy Committee Member	Monthly	
1.2	Income received should be entered in the cash book under the appropriate headings	Finance Administrator	Monthly		Monthly	
1.3	Any payment advice should be retained and kept in a	Finance Administrator	As soon as income is		Monthly	

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	suitable file		received			
1.4	Income received by cash or cheque should be paid into the Council's bank account	Finance Administrator	A.S.A.P. After Receipt		Monthly	
2	<b>EXPENDITURE</b>					
2.1	All expenditure should be in accordance with Standing Orders and Financial Regulations and should be properly authorised by the Council/Committee at a meeting or by delegated authority. Before authorising expenditure, the Council should satisfy itself that there is sufficient in the Council's budget to cover the expenditure., or specify the source of funding( ie EMRS)	Camborne Town Council/Town Clerk/RFO	As required	Council/Town Clerk	When required	
2.2	Upon receipt of an invoice, a check should be carried out to ensure that the relevant goods or services have been received and are satisfactory. Items over £500 will have a purchase order raised provided a request is made to the finance department) The invoice should be checked to ensure that it is for the correct amount (as authorised by the Council) and any differences explained and justified.	Finance Administrator	As required	RFO/Finance and Strategy Committee	When required	

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2.3	When 2.2. is complete the invoice should be presented to at least two designated members of the Council for authorisation. The invoice should be clearly marked as authorised and initialled by the two members. If this is not possible as authorised remotely that the bank authorisation is kept for audit records along with email confirmation of approval.	2 Designated Members	As required	Finance and Strategy Members	As required	
2.4	Cheques to pay authorised invoices should be signed by two authorised signatories. Signatories should, at the time of signing the cheque, initial the cheque book stub.	Delegated Members/Town RFO	As required	Internal Auditor	Yearly	
2.5	Payments by BACS will be entered on the Unity Trust website by the Finance Officer Administrator, RFO or Town Clerk and similarly be authorised by two authorised signatories by logging onto the Unity Trust secure website. Payment will only be made once both members have authorised. Corresponding Invoices will be	Finance Administrator, RFO or Town Clerk/members	As required	Internal Auditor	Yearly	

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	approved by email or physical signature.					
2.6	Payment of invoices should be timely and not unduly delayed	Finance Administrator/RFO		Members	At time of authorisation	
2.7	Details of payments made should be recorded on the computerised system (RBS) under the appropriate headings ensuring that VAT is accurately analysed and recorded.	RFO/Finance Administrator	At the time of payment	Members	Half yearly	
2.8	All petty cash expenditure should be properly recorded and reported to the next Finance & Strategy meeting. All requests for Petty Cash Imprest should be approved by 2 members or by Committee	Finance Administrator	Monthly	Member(s)	Monthly	
2.9	Periodically the petty cash records should be checked to ensure the amounts reimbursed are correct and that receipts have been retained.	RFO/ Finance Administrator	Half yearly	Internal Auditor	Yearly	
2.10	Where possible and practical purchase orders will be used to allocate funds for expenditure approved	Finance Administrator	Monthly or as required	Member(s) or Town Clerk		
2.11	All invoices which have been paid should be retained in a suitable file and also scanned and saved to the Town	Finance Administrator &	At the time of payment	Internal Auditor	Yearly	

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	Council files.					
2.12	VAT VAT should be analysed and separately recorded on the computerised system (RBS) and VAT reclaims made promptly.	RFO/Finance Administrator		Member	Quarterly	
<b>3</b>	<b>CASHBOOK</b>					
3.1	The computer system should be run from April 1 <sup>st</sup> to March 31 <sup>st</sup> of each year balanced off at the year end.	RFO	Ongoing	Member	Half yearly	
3.2	Entries on the computer system should be made promptly at the time of receipt or payment, with all details included under the relevant headings.	Finance Administrator	As required	RFO	Half yearly	
<b>4</b>	<b>BANK ACCOUNTS</b>					
4.1	All bank accounts in the name of Camborne Town Council shall be authorised by the Council and all signatories shall be authorised by the Council.	Council Members	As required	Internal Auditor	Yearly	
4.2	All cheque books, paying in books and bank statements (including used books) should be kept in a secure place in the custody of the RFO or another person authorised by the Council.	RFO		Member	Half yearly	

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4.3	All bank statements received should be reconciled with the cashbook and any differences investigated and resolved.	Finance Administrator/RFO	Monthly accessing online bank statement	Member	Half yearly	
4.4	Used cheque books, paying in books and bank statements shall be retained for 7 years.	RFO	Ongoing	Member	Yearly	
<b>5</b>	<b>POLICIES</b>					
	Policies relating to financial procedures are updated and authorised by the Council	RFO	Yearly	Members	Yearly	
<b>6</b>	<b>ASSET REGISTER</b>					
6.1	All the Council's Assets should be recorded, as soon as they are acquired, in the Asset Register	RFO	As required	Member	Yearly	
6.2	The entries in the Asset Register should be reviewed regularly and updated as appropriate	RFO	Yearly	Council	Yearly	
<b>7</b>	<b>PAYROLL</b>					
7.1	The remuneration of all employees should be approved in advance by the Council	Councillors authorising payments	As required	Internal Auditor	Yearly	
7.2	The Council should operate a PAYE system for income tax and a national insurance unless agreement to the	RFO/ Council	Yearly	Internal Auditor	Yearly	

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	contrary has been received from the Inland Revenue in writing					
7.3	The accuracy of remuneration paid to employees should be checked.	Member(s)	Monthly	Internal Auditor	Yearly	
<b>8</b>	<b>INSURANCE</b>					
8.1	The Council, after taking advice if required, shall decide which risk/assets to insure and the extent of cover save that it will in any event insure those risks that it is required by law to cover	Council	Yearly	Internal Auditor	Yearly	
8.2	The Council will review its insurance arrangements and the adequacy of cover and if appropriate obtain competitive quotations.	Town Clerk	Yearly or as necessary	Internal Auditor	Yearly	
<b>9</b>	<b>RISK MANAGEMENT</b>					
9.1	The Council should prepare a Risk Assessment and review it regularly	Council	Yearly	Internal Auditor	Yearly	
<b>10</b>	<b>THE COUNCIL'S BUDGET</b>					
10.1	The Council will consider the budget with all Committees consulted on their own areas with the final draft considered by the Finance and Strategy	Council	Yearly	Internal Auditor	Yearly	

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	Committee for recommendation to Full Council					
10.2	The Council will set a budget for each financial year which should be approved at a Council meeting.	Council	Yearly	Internal Auditor	Yearly	
10.3	As a result of setting the Budget the Council will agree the Precept for the Financial Year.	Council	Yearly	Internal Auditor	Yearly	
10.4	The Council will monitor progress against budget during the Financial Year and where necessary, amend spending plans or the Budget	Council	Quarterly	Internal Auditor	Yearly	
<b>11</b>	<b>YEAR END PROCEDURES</b>					
11.1	Ensure that all appropriate income/ expenditure has been received/paid in time for the financial year end.	RFO	March of financial year	Member	March of financial year	
11.2	Balance the computerised system (RBS), reconcile to the bank statement as at March 31 <sup>st</sup> and close off the cashbook for the Financial Year	RFO	As soon as is practicable after Financial Year End	Internal Auditor	As soon as is practicable after Financial Year End	
11.3	Draw up accounts for the year and advertise time, date and place for inspection of annual accounts by the public.	RFO	As soon as is practicable after Financial Year End	Internal Auditor	As soon as is practicable after Financial Year End	
11.4	Complete Annual Return and draft Statement of Assurance	Town Clerk	On receipt of Audit Return	The Mayor	Before September 30 <sup>th</sup>	

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	(section 2 of Annual Return)				following the financial year end
.11.5	Obtain the Annual Report of the Internal Auditor (Section 4 of Annual Return)	Town Clerk	As soon as is practicable	Council	Before September 30 <sup>th</sup> following the financial year end
.11.6	Submit the Annual Return as drafted to the Council for approval	RFO	As soon as is practicable and before September 30 <sup>th</sup> following the financial year end	Council	As soon as is practicable and before September 30 <sup>th</sup> following the financial year end
.11.7	Display a notice of Public Rights under Audit and confirm to the Auditor that this has been done	Town Clerk	Upon completion of the year end process	Council	As soon as is practicable and before September 30 <sup>th</sup> following the financial year end
.11.8	Display the Statement of Accounts (Sections 1-3 of the Annual Return)	Town Clerk	On receipt of the returned Annual Return	Council	On receipt of the returned Annual Return

This document adheres to the NALC Governance and Accountability in Local Council in England & Wales