

THORNTON INTERNAL DRAINAGE BOARD

INTERNAL AUDIT

AND

ACCOUNTING PROCEDURES

Approved by the Board :

THORNTON INTERNAL DRAINAGE BOARD

INTERNAL AUDIT AND ACCOUNTING PROCEDURES

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THORNTON INTERNAL DRAINAGE BOARD

INTERNAL AUDIT AND ACCOUNTING PROCEDURES

In furtherance of the requirements set down in the Land Drainage Act 1991, and in particular Schedule 2 of the Act, together with any statutory regulations attaching to the Act, and generally in pursuance of the Accounts and Audit Regulations 1996, the following procedures will be adopted.

1. FINANCIAL ACCOUNTING PROCEDURES:

1.(1) Accounting Systems: (These follow long established practice)

- (a) All income received and payments made will be entered in an annual Income and Payments Ledger.
- (b) A separate Rate Receipts Journal (Rate Book) will be maintained showing all rate payments received.
- (c) A Summons List and Cost Account record book will be maintained showing administrative costs accrued for each year.
- (d) A Rate Arrears Schedule will be maintained showing a summary of any outstanding rates at each financial year end.
- (e) An annual Schedule of Rates will be maintained. This will show the total amounts of rates against annual values determined for the year. Total rate payments received will be shown together with any outstanding arrears and/or overpayments. This should reconcile with the entries made in the Rate Receipts Journal and the Rate/ Arrears Accounts in the Income Ledger.
- (f) A summary record of all income and expenditure in relation to any works qualifying for Ministry grant will be maintained within the Income and Payments Ledger which will carry forward through to completion and final account for the works.

1.(2) Operation of Accounts:

- (a) The Board will make a drainage rate, and determine any special levy to be issued, on or before the 15th February each year under the common seal of the Board.
- (b) Rate demands will if possible be issued on 1st April each year. Reminders will be issued to no-payers in July. Other income due shall be collected promptly.
- (c) The date on which payments are received will be entered in the Rate Book.
- (d) Payments received must be deposited at the bank at the earliest practicable opportunity, and not later than one week after receipt.
- (e) The Clerk will satisfy himself that all invoices are valid and will certify as such prior to payment being made. Invoices must not be paid unless certified for payment. The cheque reference number will be noted on the invoice and the date on which payment is made entered in the Ledger.
- (f) Vouchers for all payments must be obtained where possible or full explanation of the payment documented.
- (g) All accounting records must be kept up to date.
- (h) All activities of the Board must be properly reflected in the accounts.

1.(3) Issue of cheques:

- (a) All cheques must be properly completed in the bank recommended form.
 - (b) Cheques must be used in strict numerical rotation.
 - (c) Cheques must be completed using only indelible ink.
 - (d) Cheques must be fully completed before signature.
 - (e) Full details of the completed cheque must be entered on the cheque stub which must be confirmed by the initial of the cheque signatory. Cheque stubs shall be retained for audit purposes.
 - (f) Cheque signatory limits will apply as follows:-

Clerk to sign up to	£3,000
Clerk, Chairman or Vice-Chairman	above £3,000
- These limits may be reviewed from time to time. The Bank must be notified accordingly and provided with details of all nominated cheque signatories.
- (g) Posted cheques should be well concealed within the envelope.
 - (h) Spoiled cheques shall be marked cancelled and re-attached to the cheque stub for scrutiny by the auditor.
 - (i) All cheques must be kept in a secure place.
 - (j) An Audit of cheque stock should be undertaken regularly to guard against loss or theft.

1.(4) Certification and Reconciliation:

A reconciliation of bank accounts with cash receipts and payments will be undertaken as soon as possible after each month end and signed by the secretary. The Clerk shall undertake a prompt review of each reconciliation and certify accordingly.

1.(5) Retention of Documents:

All documents relating to the accounts must be kept for a statutory period of six years from the end of the period to which they relate after which they may be destroyed.

2. BANKING ARRANGEMENTS

2.(1) The Board will bank with Barclays Bank plc, of Market Place, Pickering unless and until the Board shall otherwise determine. The Board will authorise the Bank to permit checking of the Board's accounts by the appointed auditor, who for the time being is the District Auditor, and will accept reasonable charges for any necessary information so provided to him or his nominated representative.

2.(2) The following bank accounts as recommended by Barclays Bank will be operated.

- (a) Business Premium Account
- (b) Business Current Account
- (c) Wages Current Account

All monies received will be paid into the Business Current Account. All payments made will be from the Business Current Account. Transfers will be made to and from the Business Current Account to the Business Premium Account, to retain a balance of £2,000 in the Current Account.

3. REMUNERATION OF EMPLOYEES:

- 3.(1) The Board will pay reasonable and properly authorised salaries, wages and expenses, to its employees in accordance with the agreed pay structure and conditions which until otherwise determined shall be in the Association of Drainage Authorities (Lincolnshire Branch) Wages and Salaries and Conditions of Service.
- 3.(2) Salaries and wages will be paid either by bank dispersal credit, or BACS or similar bank automated credit system or by cheque.
- 3.(3) All salary cheques shall be signed by the Clerk. If the Clerk is unavailable the Chairman will make alternative arrangements.
- 3.(4) All expenses or overtime payments shall be approved by the Clerk, or the Chairman.

4. TAXATION AND SUPERANNUATION:

- 4.(1) The Board will register with the Bank as a tax exempt body for interest on its accounts to be paid gross.
- 4.(2) Arrangements will be put in place in respect of employees wages and salaries for the appropriate deductions of income tax and national insurance and for making payment of these amounts to the Inland Revenue in accordance with PAYE regulations.
- 4.(3) Arrangements will also be put in place for making the appropriate deductions from wages and salaries in respect of those employees who have elected to join the North Yorkshire Pension Fund to which the Board is an admitted body.
- 4.(4) Claims will be submitted promptly to Customs and Excise, in respect of 3 monthly period for a refund of V.A.T., paid in respect of goods and services obtained in connection with those activities of the Board necessarily undertaken in carrying out its duties and obligations derived from the Land Drainage Act 1991.

5. INSURANCE:

- 5.(1) The Board will take out and keep in force with a reputable organisation the following minimum insurance cover applicable to its employees, premises, pumping stations, equipment, stores and transport :-
 - (a) Money including Fidelity Guarantee.
 - (b) Employers Liability.
 - (c) Public Liability.
 - (d) Material Damage.
 - (e) All Risks.
 - (f) Comprehensive Motor.
- 5.(2) A complete list of all of the Board's assets shall be maintained and kept up to date.

6. CONTROL OF EXPENDITURE AND BALANCES:

- 6.(1) Annual budget estimates of expenditure will be produced for consideration and approval by the Board prior to fixing the drainage rate. These will show the forecast expenditure for the current year compared to the previous estimates for that year together with the estimated expenditure for the ensuing year.
- 6.(2) Notwithstanding the provisions of 6.(1) above the Clerk will have delegated power to incur such other expenditure as may be necessary or urgent up to a maximum of £5,000 any one item. The Chairman, or in his absence the Vice-Chairman, is empowered to authorise the Clerk to incur expenditure as may be necessary or urgent up to a maximum of £10,000 any one item.
- 6.(3) A schedule of all payments made will be prepared and submitted to the Board at each meeting for formal approval, and these will be recorded in the minutes.
- 6.(4) A financial statement showing actual and forecast income and expenditure will be prepared and submitted to the Board for consideration at each meeting.
- 6.(5) Reasonable working balances may be held. Balances held against specific capital proposals will be identified separately within the accounts.
- 6.(6) Any arrears of drainage rate proposed to be written off in accordance with the Land Drainage Act (1991) shall be presented to the Board for formal approval.

7. CONTRACTS:

- 7.(1) Tenders will be sought on an annual basis for all work involving the use of heavy plant or machinery.
- 7.(2) Tenders will be sought or quotations obtained for all works or the provision of goods or services where the value is expected to exceed £5,000. The Clerk may at his discretion seek quotations for the provision of goods or services of a value less than £5,000.
- 7.(3) Tenders will be invited from a minimum of three suitable and appropriate contractors or suppliers.
- 7.(4) Tenders will be opened in the presence of at least two members of staff or Board members on or after the date specified for submission in the contract documents. A summary of tenders will be prepared and signed by the witnesses present at the opening.
- 7.(5) The acceptance of all Tenders will be approved by the Board. The Board is not bound to accept the lowest or any Tender received. The Board may at its discretion apportion any work between contractors according to suitability, availability, and other practical constraints generally in the interests of the efficiency of the service. This latter function may be delegated to the Clerk. The Board will at all times endeavour to seek value for money on behalf of its ratepayers.
- 7.(6) Any Board member or member of staff having any interest in any contractor or provider of goods or services to the Board shall notify the Clerk of that fact. Any Board member having any interest in any contract being awarded by the Board shall declare that interest and take no part in the debate.

8. ACCOUNTS AND AUDIT:

- 8.(1) Accounts for the financial year will be prepared and balanced promptly after the year end.
- 8.(2) The end of year accounts will include the preparation of an income and expenditure account and balance sheet.
- 8.(3) On completion of the end of year accounts the Clerk will sign and date the prepared income and expenditure account and balance sheet to certify that it presents fairly the financial position of the body at the end of the period to which it relates.
- 8.(4) The income and expenditure account and balance sheet will be presented to the Board for approval within six months from the end of the financial year.
- 8.(5) The accounts are subject to Audit in accordance with the statutory regulations. If the Auditors report requires any amendment of the accounts this must be reported to the Board as soon as is reasonably practical.
- 8.(6) As soon as is reasonably practical after completion of audit or nine months from the financial year end whichever is earlier the Board will publish the income and expenditure account and balance sheet together with any statement relating to the accounts issued by the Auditor. Copy of this information will be displayed in the Board's offices for a period of at least 14 days.
- 8.(7) As soon as is reasonably practical after conclusion of an audit notice will be published of this fact and that the income and expenditure account and balance sheet together with any statement issued by the Auditor will be available for inspection by local government electors.
- 8.(8) In respect of any scheme of works qualifying for Ministry grant a final statement of account shall be prepared in the prescribed form and submitted directly to the Auditor within such time as to allow the Auditor to forward the audited account to the Ministry within 24 months following completion of works.

9. SYSTEM BACKUP:

- 9.(1) Arrangements shall be made to keep a copy of fundamental prime document information at alternative locations away from the Board's main office to whatever extent is reasonable.

10. RECORD OF PROCEEDINGS:

- 10.(1) All matters discussed and any decisions taken by the Board relating to the accounting procedures shall be undertaken in accordance with the established proceedings of the Board, and shall be duly recorded in the minutes which shall be confirmed by the initial of the Chairman on each page, and signing by the Chairman of the final page of the record for each meeting.

11. REVIEW OF PROCEDURES:

- 11.(1) These Internal Audit and Accounting Procedures shall be reviewed annually by the Board.

THORNTON INTERNAL DRAINAGE BOARD

Financial Regulations

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Approved by the Board :

Financial Regulations

A Introduction

1. These Financial Instruction are designed to supplement the Board's Standing Orders and to ensure that the funds and assets of the Board are properly accounted for and controlled.
2. Any variation of these instructions shall only be made by a resolution of the Board.
3. The Clerk has prepared additional rules of procedure, supplementary to these instructions, to ensure the maintenance of financial control and security. These are the internal audit and accounting procedures, attached to these regulations.
4. The Clerk shall be responsible for determining the format of the Board's accountancy systems, annual accounts and supporting resources and shall ensure that the accounting systems determined by him are observed and that the accounts of the Board and supporting resources are kept up to date.
5. The Clerk shall be responsible for maintaining an adequate and effective internal audit of the accounts of the Board in the manner he considers to be best.
6. The Clerk shall ensure that the Board's annual accounts are prepared as soon as possible after the 31st March, and in any event not later than 30th September.

B ⁷ Contracts

1. The following procedures shall be employed in connection with the procurement of goods and services:-

<u>Estimated Value of Good/Services</u>	<u>Action to be taken</u>
Up to to £3,000	At the Clerk's discretion
£3,000 to £5,000	Obtain two verbal quotations
£5,000 to £10,000	Obtain three written quotations
£10,000 to £30,000	Obtain three tenders
£30,000 and over	Obtain six tenders

2. Tendering may be selective or open, although, whenever possible, selective tendering shall be used and tenders invited to ensure that the required number of tenders are actually received. Where possible tenders will only be invited from the Board's list of approved contractors.

3. Where it is considered that there are valid reasons for departing from the procedures in (1) above, the Board's approval shall be obtained.

4. Tenders will be returned in an envelope marked "Tender" and shall be opened, not earlier than the closing date prescribed in the tender documents, in the presence of the Clerk of the Board and the Chairman or Vice-Chairman to the Board. A declaration shall be signed to such effect by the persons present at the opening of the tender.

5. Where a tender is accepted other than the lowest, the Board's approval shall be obtained.

C Staff

1. Staff salaries and conditions shall be in accordance with those determined by the Pay and Conditions Advisory Committee of the Lincolnshire Branch of the Association of Drainage Authorities.
2. Each individual employees Grading and Spinal Point shall be fixed by the Board.
3. The Board will renew the grades of each employee as and when they are fit. Any request by an employee for a re-grading/increase in spinal point, must be submitted to the Board for consideration.
4. The Board's approval shall be required for the employment of additional permanent staff.
5. The Clerk shall have authority to employ additional temporary staff, provided that the revenue consequences are contained within the current Annual Estimates.
6. All time records and pay records shall be of a form approved by the Clerk and shall be certified and submitted in accordance with his instructions.
7. The Clerk shall be responsible for the proper compilation of the payroll and for the final determination of pay.

D Responsibility of Officers

1. All staff of the Board have a general responsibility for the security of the property of the Board for avoidance of loss and for economy, efficient and effectiveness in the use of the Board's resources.

E Estimates

1. The Clerk shall be responsible for the preparation of Annual Estimates.
2. The Estimates should be determined for the January/February Meeting of the Board in respect of the following financial year, using the best information available at that time.
3. The Estimates shall be approved by the Board at the above Meeting.
4. The Clerk shall be responsible for seeking reasons and causes for deviation from the Estimates and shall inform the Board of all material variations.

F Banking

1. The Clerk shall advise the Board's bankers in writing of the conditions under which each bank account shall be operated.

2. The drawing of cheques on the current account will be operated on the following basis:-

Cheque Amount

Required Signatures

up to £3,000
over £3,000

The Clerk or Chairman
Clerk plus Chairman or
Vice-Chairman or
Mandated member

3. The drawing of cheques on the wages account will be operated on the following basis-

Cheque description

Required Signatures

Wages and Pension Cheques

Clerk

4. The Clerk shall ensure that bank account balances are managed so as to produce maximum benefits for the Board.

5. Post stamps shall be purchased by cheque as and when necessary.

G Income

1. An official receipt shall be made out for every cash sum received by the Board and must show:-

- a) Date of receipt
- b) Amount received
- c) Type of remittance
- d) Reason for payment

Copies of all receipts issued by the Cashier shall be retained by the Cashier. Receipts not required for payment by cheque.

2. Board monies shall not be used for the encashment of private cheques.

3. All cheques, cash etc., received shall be banked at least weekly. Disbursements shall not be made from cash received. Bankings shall be daily when unusually large sums are received.

4. The Clerk shall be responsible for ensuring that all monies received are properly brought to account in the Board's accounting records.

5. Any debts not recoverable should only be written off with the Board's approval.

H Purchases of Goods and Services

1. The Clerk to the Board shall have the authority to affect the purchase of goods and services up to the value of £3,000 and the ordering of general repairs to the Board's assets up to the value of £3,000.
2. For all goods and services with a value of £3,000 and over the Board's approval shall be obtained prior to the purchase being effected.
3. The requirement under No 2 above may be dispensed with if the goods or services are required urgently such that it would not be feasible or practical to obtain the Board's approval. In such cases, the Chairman's approval shall be obtained and later ratified by the Board.
4. It shall be the duty of the Clerk to ensure that all goods and services ordered are necessary for the efficient working of the board's operations and of the quality or type needed by the Board.
5. See Section B "Contracts" for further financial instructions in connection with the purchase of goods and services.

I Stores

1. Stores records shall be in such a form and shall comply with such system of control as the Clerk shall approve.
2. All goods received shall be checked as regards quantity and/or weight and inspected as to quality and specification. A delivery note shall be obtained from the supplier, wherever possible, and signed by the person receiving the goods.
3. All goods issued from stores shall be properly accounted for and recorded.
4. All breakages and loss of goods held in store shall be recorded and reported to the Clerk to take the appropriate action.
5. There shall be a physical check of all items in store at least once a year and the stock taking records shall be signed by the responsible person.

J Assets

1. All assets owned by the Board shall be accounted for in an asset register maintained by the Clerk. The asset register shall reflect additions and disposals of assets.
2. At least once a year the Clerk shall prove the accuracy of the asset register with a physical inspection of the Board's assets.
3. The asset register shall be placed before the Board for inspection at the earliest opportunity following completion of the Annual Accounts.