



# Hartlebury Parish Council

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## INTERNAL CONTROLS POLICY

### SCOPE OF RESPONSIBILITY

Hartlebury Parish Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this overall responsibility, the council is also responsible for ensuring 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.

### THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROLS

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk. It cannot provide an absolute assurance of effectiveness. The system of control is based on an on-going process to identify the risks to achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically.

### THE INTERNAL CONTROL ENVIRONMENT

#### The Council...:

- Has appointed a Chairman who is responsible for the smooth running of meetings.
- Meetings are bi-monthly, including an annual meeting in May.
- Approves budgets for the following year at its November/December meeting and also the Council approves the level of Precept for the following financial year.
- Monitors, either through the Finance Committee/Full Council bi-monthly meetings, the actual expenditure against budget with a (revised) forecast for the end of the year.
- Appoints and reviews the work of the Internal Auditor.

#### The Clerk to the Council/RFO...:

- is responsible for administering the Council's finances.
- is responsible for the day to day compliance with the law and regulations that the Council is subject to and for managing risks.
- ensures that the Council's procedures, control systems and policies are adhered to.

#### Payments:

Payments are reported to each meeting of either finance committee and or the Parish Council. Two members of the bank signatories must authorise every cheque after review of

the accompanying invoice and sign the invoice/paperwork; payments made through the online banking system are not applicable at this time but if this changes payments would be entered onto the system by the Clerk/RFO and then approved by two of the authorised members having had sight of the accompanying invoices.

**Risk Assessments/ Risk Management:**

The council carries out a risk assessment in respect of actions and regularly reviews (yearly) its systems and controls.

**Internal Audit:**

The council has appointed an Independent Internal Auditor who reports to the Council on the adequacy of its: - Records

- Procedures
- Systems
- Internal controls
- Regulations
- Risk Management
- Reviews

The effectiveness of the independent internal audit is reviewed annually.

**External Audit:**

The Council's External Auditors are appointed by the Smaller Authorities Audit Appointments Ltd (SAAA) and submit an annual Certificate of Audit, which is reported to the Council.

**REVIEW OF EFFECTIVENESS**

The Council is responsible 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 informed by the work of:

- The Finance Committee
- The Clerk to the Council/RFO who has the responsibility for the development and maintenance of the internal control environment and managing risks
- The independent Internal Auditor who reviews the Council's system of internal control
- The External Auditor, who makes the final check using the Annual Return and issues an annual audit report (part 3 of the Annual Governance and Accountability Return).
- The number of significant issues that are raised during the year.

Any concerns about the effectiveness of the system of internal control are investigated and action taken as appropriate.

**Approved by the Council May 2024**

**STATEMENT OF INTERNAL FINANCIAL CONTROLS**

Cash Book / Bank reconciliations	<ul style="list-style-type: none"> <li>• The cash book is kept electronically (in spreadsheet format), maintained up to date from original documents (cash received, invoices, payments (s/o) made and cheques as they are prepared)</li> <li>• The cash book is reconciled to the bank statement monthly</li> <li>• Reconciled accounts are prepared in advance of each Council meeting (finance of full committee)</li> <li>• The cash books, payments and receipts, and bank reconciliation is reviewed and approved by the Chair of the Finance Committee , regarding the underlying records (bank statements and FC minutes plus copies of accounts papers etc) at least biannually</li> <li>• The bank reconciliation is reported to the Parish Council and/or finance committee reported via the minutes.</li> <li>• The latest financial position and movements on the Parish Council's cash balances are reported at each council meeting and can be traced back to the expenditure approved in the previous meeting via the minutes/purchase orders</li> </ul>
Financial Regulations	<p>The Parish Council has adopted financial regulations,The regulations are reviewed for continued relevance and amended where necessary by the Finance Committee with any proposed amendments subject to approval by the Parish Council.</p>
Order/Tender controls	<ul style="list-style-type: none"> <li>• The Financial Regulations list the number of estimates, quotes or full tenders that must be invited depending on the value and nature of the work.</li> <li>• Official orders/letters are sent to suppliers for services which are not regular in nature</li> </ul>
Payment controls	<ul style="list-style-type: none"> <li>• Depending on the nature of the supply, the RFO signs the purchase invoice to indicate that the supply has been received, that the supply has not previously been paid and that the invoice calculations are correct.</li> <li>• Purchase orders/emails/letters ordering the work are matched to purchase invoices where applicable</li> <li>• Payments will be listed in cheque and voucher number order in the cash book</li> <li>• All invoices for payment are listed on the meeting agenda, where the payment is to be minuted</li> <li>• Payments made are listed in the minutes of the meeting. Original invoices are available to the Councillors signing the cheques</li> <li>• Cheques will be signed by two councillors, who are authorised to sign as shown on the council's bank mandate.</li> <li>• The council does not have has a BACS system in place but when and if it does the RFO is authorised to set up BACS payments online but as the RFO is not an authorised signatory, cannot authorise payments.</li> <li>• Two members of the council would be authorised to approve online bank payments. They cannot set up payments, only view and authorise them.</li> <li>• The Finance Committee is authorised to transfer funds internally ie from one of the council's accounts to another, but not to make payments.</li> <li>• The RFO maintains control of the cheque book at all times, cheques will only be issued and signed for payments in accordance with the Councils Financial Regulations. The RFO will prepare cheques but is not authorised to sign them.</li> <li>• Every payment is identified by a sequential voucher number. This number is used to identify the transaction in the payments cashbook.</li> <li>• When invoices are paid by cheque, they are identified by the cheque number and referenced in the cashbook by the cheque number, as well as by the voucher number. This is cross checked with the bank statements.</li> <li>• When invoices are paid by BACS, they are identified by the voucher number which is cross checked with the bank statements.</li> </ul>

Legal Powers	A proper legal power is identified in advance of any expenditure. The legal power for expenditure is shown on the agenda and minutes for payments made.
Payments made under section 137 of the Local Government Act 1972 (aka "The Free Resource")	<ul style="list-style-type: none"> <li>• A separate s137 account is maintained in the cash book / spreadsheet when required.</li> <li>• Each year the RFO calculates the maximum allowable amount of s137 expenditure and ensures that it is not exceeded – confirmed to the Parish Council when expenditure is considered either by reference to a specific budget for that payment or to the amount of unspent s137 money available</li> <li>• Requests for expenditure from s137 are made clear on the meeting agendas where the payment is to be approved.</li> <li>• Each record of expenditure from s137 is properly minuted.</li> </ul>
VAT repayment Claims  (VAT126)	<ul style="list-style-type: none"> <li>• RFO ensures compliance with VAT notice 749</li> <li>• RFO ensures that all invoices are addressed to the Parish Council.</li> <li>• RFO ensures that proper VAT invoices are received where VAT is payable.</li> <li>• RFO maintains a VAT account to show that the correct amount of VAT is reclaimed in the year and submits a claim for repayment annually.</li> </ul>
Income controls	<ul style="list-style-type: none"> <li>• RFO ensures that amount of the precept received is in accordance with the precept request sent to the District Council.</li> <li>• RFO ensures that the precept instalments are received when due.</li> <li>• RFO ensures that other receipts (deposit interest, allotment and land rents) are received when due and correctly calculated.</li> <li>• Individually numbered receipts are held for cash received and a copy kept.</li> <li>• Receipts are recorded on the cash book / spreadsheet when received.</li> <li>• Income is banked promptly.</li> </ul>
Financial reporting	A Budget control, comparing actual receipts and payments to the budget and the previous year is prepared on a monthly basis, presented to each Parish Council/Finance Committee meeting and minuted.
Budgetary controls	<ul style="list-style-type: none"> <li>• The budget is approved by the Parish Council before the end of the financial year preceding the year to which it relates.</li> <li>• The precept amount is identified following approval of the budget; the precept demand is issued to the billing authority by the date stipulated by the billing authority and in any case before 1<sup>st</sup> March at the latest.</li> </ul>
Payroll controls	<ul style="list-style-type: none"> <li>• The Clerk is an employee and the RFO must register the Council with HMRC online; the Council, via RFO is responsible for reporting PAYE &amp; NI .</li> <li>• The Clerk's salary is set by the Council and a minute is prepared to show the agreed salary.</li> <li>• The salary is paid by cheque.</li> <li>• The RFO will ensure that all the necessary payroll returns are made to HMRC and will retain evidence that this has been done.</li> <li>• The RFO will act for the Parish Council regarding Pension duties and will work with the member appointed as the employer's contact.</li> </ul>
Office and clerk's expenses	<ul style="list-style-type: none"> <li>• The clerk submits an invoice for reimbursement of monies owing by way of an expense account, in advance of each meeting</li> <li>• The expenses cover a contribution towards the cost of maintaining an office and any out of pocket expenses as well as motoring expenses, as laid down by joint SLCC/NALC guidelines</li> <li>• Expenses are paid by cheque and the expense sheet treated as an invoice for accounting purposes</li> </ul>

Asset Control	<ul style="list-style-type: none"><li>• The RFO/Finance Committee maintains a full asset register.</li><li>• The existence and condition of assets is checked as per the register.</li><li>□ The adequacy of insurance of the Parish Council's assets is considered annually in advance of the insurance renewal</li></ul>
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