HANBBURY PARISH COUNCIL INTERNAL CONTROLS POLICY

SCOPE OF RESPONSIBILITY
Hanbury 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.
- Meets at least four times each year, including an annual meeting in May.
- Approves budgets for the following year at its November/December/January meeting. The December/ meeting of the Council approves the level of Precept for the following financial year.
- Monitors, through the Finance group every quarter, 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 administrating 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:
All payments are reported to each meeting of the Parish Council. Two members of the Council bank signatories must authorise every cheque after review of the accompanying invoice; payments made through the online banking system will be entered onto the system by the Clerk/RFO and then approved by 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 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 Full Council
- 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.

Agreed at the meeting of Hanbury Parish Council
Date:

Date of review of this policy:

STATEMENT OF INTERNAL FINANCIAL CONTROLS

Cash Book / Bank reconciliations	• 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) • The cash book is reconciled to the bank statement at least quarterly but ideally monthly. • Reconciled accounts are prepared in advance of each Council meeting and minuted • 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
Financial Regulations	The Parish Council has adopted financial regulations, based on the model version prepared by NALC. The regulations are reviewed for continued relevance and amended where necessary by the RFO with any proposed amendments subject to approval by the Parish Council.
Order/Tender controls	• 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.
Payment controls	• 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. • Purchase orders/emails/letters ordering the work are matched to purchase invoices where applicable • Payments will be listed in cheque or voucher number order in the cash book • All invoices for payment are listed on the meeting agenda, or agenda appendix, where the payment is to be minuted • Payments made are listed in the minutes of the meeting. Original invoices are available to the Councillors signing the cheques • Cheques will be signed by two councillors, who are authorised to sign as shown on the council's bank mandate. • The council has a BACS system in place. The RFO is authorised to set up BACS payments online. • At least four members of the council are authorised to approve payments. • The RFO maintains control of the cheque book at all times, cheques will only be issued and signed for payments approved in Council meetings. The RFO will prepare cheques but is not authorised to sign them. • Every payment is identified by a sequential voucher number. This number is used to identify the transaction in the payments cashbook, the invoice and cross referenced on the bank statement in ink. • 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. • When invoices are paid by BACS, they are identified by the voucher number which is cross checked with the bank statements. • The minute number of the minute authorising bank payments or cheques is detailed on the spreadsheet

Payments made under section 137 of LGA 1972 (aka "The Free Resource")	• A separate s137 account is maintained in the cash book / spreadsheet. • 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 • Requests for expenditure from s137 are made clear on the meeting agendas where the payment is to be approved. • Each record of expenditure from s137 is properly minuted.
VAT repayment claims	• RFO ensures compliance with VAT notice 749 • RFO ensures that all invoices are addressed to the Parish Council. • RFO ensures that proper VAT invoices are received where VAT is payable. • RFO maintains a VAT account to show that the correct amount of VAT is reclaimed in the year and submits a claim for repayment at least annually.
Income controls	• RFO ensures that amount of the precept received is in accordance with the precept request sent to the District Council. • RFO ensures that the precept instalments are received when due. • RFO ensures that other receipts (deposit interest, allotment and land rents) are received when due and correctly calculated. • Individually numbered receipts are issued for cash received and a copy kept. • Receipts are recorded on the cash book / spreadsheet when received. • Income is banked promptly.
Financial reporting	A Budget control, comparing actual receipts and payments to the budget and the previous year is prepared on at least a quarterly basis, presented to each Parish Council meeting and minuted.
Budgetary controls	• The budget is approved by the Parish Council before the end of the financial year preceding the year to which it relates. • 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 1st March at the latest.
Payroll controls	• The Clerk is an employee and the RFO must register the Council with HMRC online; the Council, via RFO is responsible for reporting PAYE & NI monthly. • The Clerk's salary is set by the Council and a minute is prepared to show the agreed salary. • The RFO will ensure that all the necessary payroll returns are made to HMRC and will retain evidence that this has been done.
Office and clerk's expenses	• The clerk submits an invoice for reimbursement of monies owing by way of an expense account, in advance of each meeting • The expenses cover a contribution towards the cost of maintaining an office at the clerk's home and any out of pocket expenses as well as motoring expenses, as laid down by joint SLCC/NALC guidelines • Expenses are paid by BACS and the expense sheet treated as an invoice for accounting purposes
Asset Control	• The RFO maintains a full asset register • The existence and condition of assets is checked on a six-monthly basis by a member of the Parish Council • The adequacy of insurance of the Parish Council's assets is considered annually in advance of the insurance renewal