



## **NEWTON & BIGGIN PARISH COUNCIL INTERNAL CONTROLS POLICY**

### **SCOPE OF RESPONSIBILITY**

Newton and Biggin Parish Council (PC) 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 Chair 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 December/January meeting. The January meeting of the Council approves the level of Precept for the following financial year.
- Monitors, at least quarterly, the actual expenditure against budget with a (revised) forecast for the end of the year.
- Appoints and reviews the work of the Internal Auditor.
- Records the relevant statutory power when agreeing expenditure and/or action.

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

- is responsible for the administration of 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 the Council's procedures, control systems and policies are adhered to.

### **Payments:**

- Payments are approved in advance by the full council and minute reference recorded (unless subject to Newton & Biggin PC Financial Regulations 3.4 and 5.5)
- Regular payments and direct debits will be paid by the RFO and reported to the council at the next meeting (Financial Regulations 6.2)
- All payments are reported to each meeting of the Parish Council.

### **Risk Assessments/ Risk Management:**

The council conducts 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.

A Parish Councillor and the Clerk / RFO will review the Internal Controls checklist in Appendix A every year before the Annual Return is approved. Findings will be reported back to the full council and a minute reference recorded, with an action plan put in place if necessary.

The review of the effectiveness of the system of internal control is informed by the work of:

- The Full Council
- 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 Newton and Biggin Parish Council

Date: 25/05/23

Minute Reference:

Date of review of this policy: May 2024

**Appendix A – Internal Controls Checklist**

Reviewed by Councillor \_\_\_\_\_ and Clerk RFO \_\_\_\_\_

Date \_\_\_\_\_

Findings reported to full council date \_\_\_\_\_ and minute ref \_\_\_\_\_

Area of Control	Control Checks	Comments
<b>The Council Structure / Responsibilities</b>	A Chair is appointed at the annual meeting of the Parish Council in May	
	The Council meets at least four times a year, including annual meeting in May.	
	The Council carry out any relevant risk assessments.	
	The Council appoints an internal auditor, and reviews their findings.	
<b>Accounts / Bank reconciliations</b>	The accounts are kept electronically (Scribe Accounts), maintained up to date from original documents (cash received, invoices, payments made and cheques as they are prepared)	
	The accounts are reconciled to the bank statement at least monthly	
	Reconciled accounts are prepared in advance of each Council meeting	
	The accounts and bank reconciliation is reviewed and approved by a member of the Parish Council nominated as internal control, at least quarterly	
	The bank reconciliation is reported to the Parish Council 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	
<b>Financial Regulations</b>	The Parish Council has adopted financial regulations, based on the model version prepared by NALC. The regulations are reviewed at least annually for continued relevance and amended where necessary by the RFO with any proposed amendments subject to approval by the Parish Council.	
<b>Order/Tender Controls</b>	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.	
<b>Payment controls</b>	Payments will be entered onto Scribe Accounts	
	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 filed and readily available.	
	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 and approve online payments (in line with Newton & Biggin PC Financial Regulations)	
	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.	
	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 each invoice.	
<b>Legal Powers</b>	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.	
<b>Payments made under section 137 of the Local Government Act 1972</b>	Payments made under section 137 are recorded in Scribe using the flag provided.	
	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.	
<b>VAT repayment claims (VAT 12)</b>	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 quarterly (if over £100).	
<b>Income Controls</b>	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 (if applicable) are received when due and correctly calculated.	
	Individually numbered receipts are issued for cash received and a copy kept.	
	Receipts are recorded in Scribe Accounts when received.	
	Income is banked promptly.	
<b>Financial Reporting</b>	A Budget control, comparing actual receipts and payments to the budget is prepared on at least a quarterly basis, presented to a Parish Council meeting and minuted.	
<b>Budgetary Control</b>	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 1 <sup>st</sup> March at the latest.	
<b>Payroll Controls</b>	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 salary is paid by bank transfer following submission of approved timesheet to Payroll provider, and receipt of payslip.	
	The RFO will ensure that all the necessary payroll returns are made to HMRC and will retain evidence that this has been done.	
	The RFO will act for the Parish Council regarding Pension duties.	
<b>Office and Clerk's Expenses</b>	The Clerk is paid monthly expenses as agreed in contract of employment.	
	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	
<b>Asset Control</b>	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	