HORNDEAN PARISH COUNCIL

INTERNAL CONTROL POLICY

OVERVIEW

The Accounts and Audit Regulations 2015 state that a Council shall be responsible for ensuring that its financial management is adequate and effective and that it has 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. Internal control is designed to reduce financial risk to the Council

1. SCOPE OF RESPONSIBILITY

Horndean Parish Council (the Council) is responsible for ensuring that 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 that 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.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to ensure that the Council's activities are carried out properly and as intended. Internal controls are set up by the RFO but it falls on the Council members to ensure that they have a degree of control and understanding of those controls. Controls will include the checking of routine financial procedures, the examination of financial comparisons, the recording of assets, the identification of risk, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage risks efficiently, effectively and economically.

3. PERSONNEL INVOLVED WITH THE INTERNAL CONTROL ENVIRONMENT

3.1. The Council:

The Council has appointed a Chairman who is responsible for the smooth running of meetings and for ensuring that all Council decisions are lawful.

- The Chairman of the meeting signs the last page of the minutes and initials all other pages.
- Decisions made should be within the framework of the Standing Orders and Financial Regulations laid down and approved by the Council.
- The Council reviews its obligations and objectives and approves budgets and the required level of precept for the following financial year at its December meeting.
- The Finance & General Purposes Committee receives a quarterly financial statement which it approves at its Committee meetings.
- Payments are made in accordance the Council's Financial Regulations.
- Two signatories (at least one to be a Councillor) must approve all transactions. The signatories will ensure that the electronic payment agrees with the amount of the invoice and the payee named on the invoice. Officers may not authorise payments, although the Clerk or the RFO can undertake approvals if the other signatory is a Councillor or if not making the payment might put Council at risk of breach of contract or subject to financial penalty. Council will approve the receipts and payments made for each month at the next meeting.
- At least once each quarter, the Finance & General Purposes Committee shall ensure that the Bank Reconciliation totals are reconciled to the month-end bank statement and the Chairman of the Committee shall initial the corresponding Bank statement as evidence of this check .
- At its first meeting after the end of each financial year the Finance & General Purposes

Committee Meeting, the Committee shall ensure that the Bank Reconciliation as at 31st March totals are reconciled to the year-end bank statement and the Chairman of the Committee shall initial the corresponding Bank statement as evidence of this check.

- At least twice a year, those Councillors appointed as Internal Scrutiny Members, will carry out a review of the internal processes and report to Council. (see Appendix A)

3.2. Clerk to the Council:

The Council has appointed a Clerk to the Council, who acts as the Council's advisor and administrator. The Clerk is responsible for the day-to-day compliance with laws and regulations that the Council is subject to and for managing risks. The Clerk also ensures that the Council's procedures, control systems and policies are maintained and adhered to.

- The duties of the Clerk are laid down in a Job Description which is reviewed each year.
- The Clerk is responsible for the day-to-day compliance with the laws and regulations that the Council is subject and ensuring that any updates or amendments required as a result of updates are implemented in a timely manner.
- The Clerk has overall budgetary control and is responsible for managing risk in conjunction with the RFO.
- The Clerk is responsible for ensuring that the Council's governance and accountability policies and procedures are maintained and reviewed annually.
- The Clerk has overarching responsibility for Health & Safety and personnel management and for ensuring compliance with legislation in this matters.

3.3. Responsible Financial Officer:

The Responsible Financial Officer is responsible for administering the Council's finances and managing risk in conjunction with the Clerk.

- The duties of the RFO are laid down in a Job Description which is reviewed each year.
- The RFO submits all the requested information to the External Auditor by the required date.
- The RFO arranges for the public notices to be displayed.
- The RFO will retain all relevant documents relating to the financial year for seven years (Annual Return, VAT Returns, PAYE/NIC information, public notices, Fixed Asset register, Risk assessments, accounts and supporting information).

3.4. Internal Auditor

The Council appoints an independent Internal Auditor, who will report to the Council on the adequacy of its records, procedures, systems, internal control, regulations, risk management and reviews.

- The effectiveness of the internal audit is reviewed annually, after the half year inspection, and the Council agrees to the appointment of the Internal Auditor. The Internal Auditor, who is competent and independent, is advised of the scope of the work required by the Council
- The scope of the work (and the charge) of the IA is reviewed annually and the review and the appointment are minuted.
- The IA will inspect the accounts twice during the financial year; at the half year and year-end (prior to completion of the Annual Governance & Accountability Return sections 1 and 2) and will complete the relevant IA page of the AGAR.
- The IA will write a separate report to the Council detailing any findings they might have.
- The report of the IA is copied to all members of the Council and considered as an agenda item at the next Finance & General Purposes Committee meeting. Recommendations from the report will be recorded in the minutes.

3.5. External Auditor

The Council's External Auditors, appointed by the Smaller Authorities' Audit Appointments Ltd, submit an External Auditor's Report, which is presented to the Finance & Policy Committee.

4. REVIEW OF EFFECTIVENESS

The Council has responsibility 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 and any issues identified by:

- Full Council – identification of new activities
- Clerk to the Council and RFO who have responsibility for the development and maintenance of the internal control environment and managing risks – risks identified
- Internal Auditor who reviews the Council's system of internal control. The auditor will make a written report to the Council (in addition to IA Section Report in the AGAR) – action arising from reports
- The Council's External Auditors who make the final check using the Annual Governance & Accountability Return, a form completed and signed by the RFO, the Chairman and the Internal Auditor. The External Auditor issues an annual audit certificate – action arising from AGAR.
- Council meetings and on-going business – significant issues that are raised during the year

5. SIGNIFICANT INTERNAL CONTROL ISSUES

Any significant internal control issues identified by IA during the financial year are to be reported to Council and agreed actions minuted.

6. EXTERNAL AUDIT OPINION

Significant matters raised on the Annual Return for the previous financial year are to be reported to Council and agreed actions minuted.

Appendix A: Horndean Parish Council – Internal Scrutiny Members Report to Council

	1st Review	Comments	2nd Review	Comments
Purchase Order signed by relevant managers.	Yes/No		YesNo	
Electronic payment amounts agree with POs and invoices.	Yes/No		Yes/No	
Invoices checked & approved by Clerk or RFO	Yes/No		Yes/No	
Payment approvals agreed and signed at Council/Committee meetings – check payment authorisations and minutes of meetings	Yes/No		Yes/No	
Quarterly bank reconciliations completed & bank statements signed by F&P Committee Chairman	Yes/No		Yes/No	
Income banked in timely manner – check receipt log against bank account.	Yes/No		Yes/No	
VAT reclaim completed quarterly – check VAT folder with VAT submission emails.	Yes/No		Yes/No	
Finance Report, including details of income and expenditure (I&E) received and reviewed by F&GP Committee – check I&E sheet and minutes of meeting.	Yes/No		Yes/No	
Salary amounts agree with council approved amounts – check monthly totals against budgeted figures and salary scale points.	Yes/No		Yes/No	

ISM No 1 - Mid Year: Name ..... Signed ..... Date .....

ISM No 2 - Mid Year: Name ..... Signed ..... Date .....

ISM No 1 – Year End: Name ..... Signed ..... Date .....

ISM No 2 – Year End: Name ..... Signed ..... Date .....