

## FINANCIAL INTERNAL CONTROLS PROCEDURE



The Financial Internal Controls Procedure is a system of controls implemented to ensure economic efficiency and manage risks so the Council can achieve its objectives.  
It outlines responsibilities and performs an annual review of its effectiveness.

This procedure must be compliant with applicable statutes and regulations and used in line with the most recent Financial Regulations, AGAR proper practices and Financial Risk Assessment.

Subject	Procedure	Action	Actioned by	Frequency	Internal Control by RFO	Review by Council
<b>ASSETS &amp; LIABILITIES</b>						
<b>Accruals and Prepayments</b>	Accruals and Prepayments in order	<ul style="list-style-type: none"> <li>•Review for adequacy</li> <li>•Amend as required</li> </ul>		Annually		Vice Chair review
<b>Asset Register</b>	Revise Asset Register	<ul style="list-style-type: none"> <li>•Prepare year on year report</li> <li>•Ensure items properly maintained</li> <li>•Ensure adequate insurance cover</li> </ul>	RFO	Annually		Annual review by Council
<b>Bank Accounts</b>	All BWPC accounts to be reconciled against bank statements	<ul style="list-style-type: none"> <li>•Bank reconciliations to be completed</li> <li>•Payments List to be prepared</li> <li>•Prepare year on year accounts against budget.</li> <li>•Written explanation required for variances over 10%</li> <li>• Council minute required for movements of funds over £5000.</li> </ul>	Banks rec approved by RFO	Monthly	Finance reports to be presented monthly to Council	<ul style="list-style-type: none"> <li>♦To be reviewed by Vice Chair quarterly and signed off.</li> <li>♦All bank statements to Chair of Council for review and sign off</li> </ul>
<b>Creditors Ledger</b>	RFO to review overdue payments	Recommend to Council why payment should not be made	Approved and minuted at Council	As required		
<b>Debtors ledger</b>	Quarterly review of outstanding sums		RFO	Quarterly		To be reviewed by Vice Chair quarterly and signed off.
<b>Debtors write off</b>	RFO to recommend to Full Council debtor write offs with explanation	Debtor must be contacted at least 3 times in writing to recover debt before any further action is taken	Approved and minuted at Council	Quarterly	<ul style="list-style-type: none"> <li>•RFO can write off debts up to the value of £2.00</li> <li>• To be included in monthly Finance reports for Council awareness</li> </ul>	Annual review of all journals
<b>Transfer between BWPC bank accounts</b>	Month cash flow estimates to be prepared by RFO.	RFO to request funds transfer with evidence	RFO	As required	Ensure transfer is completed	<ul style="list-style-type: none"> <li>♦To be reviewed by Vice Chair quarterly and signed off.</li> <li>♦All bank statements to Chair of Council for review and sign off</li> </ul>
<b>EXPENDITURE &amp; CREDITORS</b>						
<b>Cash/Cheque received</b>	<ul style="list-style-type: none"> <li>•No ability to accept cash.</li> <li>•Receipt issued upon request for cheques</li> <li>•Recorded in accounting system</li> </ul>	Deposits banked monthly	RFO process all receipts	Quarterly	Spot checks to be conducted	Quarterly review of bank statements

<b>Debit card</b>	<ul style="list-style-type: none"> <li>•Maximum spend £500.00 per month</li> <li>•Debit card kept securely by Clerk</li> <li>•For use only by Parish Clerk in relation to council business</li> <li>•Any other spend requires Council approval</li> </ul>	<ul style="list-style-type: none"> <li>•Invoices/Receipts to be retained</li> <li>•Reconcile debit card expenditure against bank statement</li> </ul>	RFO	Monthly	RFO to report spend not settling approved invoices	Quarterly spend review
<b>Direct debit</b>	<ul style="list-style-type: none"> <li>•Clerk to set up</li> <li>•Documents setting up the payments must be retained</li> </ul>	To be reconciled against invoice	Sign by RFO	<ul style="list-style-type: none"> <li>•Monthly</li> <li>•Annual</li> </ul>	RFO to set up	Annually list of DDs and SOs presented to Council
<b>Expenses</b>	Councillors and Employees	<ul style="list-style-type: none"> <li>•Mileage and expenses claims to be submitted monthly on appropriate forms.</li> <li>•Councillors claims to be approved by RFO and Clerk/RFO to be approved by Chair/Councillor.</li> <li>• Expense claims to be crossed checked against receipts</li> </ul>	<ul style="list-style-type: none"> <li>•Chair to sign off Clerk/RFO's</li> <li>•RFO to sign off Councillors expenses</li> </ul>	Monthly		Included in full annual invoice review
<b>Grants</b>	Only to be paid against Parish council minutes	Sign receipt from receiving body obtained	RFO	As required		Analytical review
<b>Internet banking</b>	<ul style="list-style-type: none"> <li>•BWPC when cancelling/transitioning services ensure payments are cancelled.</li> <li>•Clerk/RFO to set up payments</li> </ul>	<ul style="list-style-type: none"> <li>•Clerks to ensure sufficient notice provided so as to not make over/double payments</li> <li>•Invoices forwarded to authorised signatories to confirm payments</li> </ul>	Authorised by two councillors/signatories	<ul style="list-style-type: none"> <li>•Monthly</li> <li>•Annual</li> </ul>	<ul style="list-style-type: none"> <li>•Bank Rec to be presented monthly to Council</li> <li>• Errors identified to be corrected by RFO</li> </ul>	<ul style="list-style-type: none"> <li>♦To be reviewed by Vice Chair quarterly and signed off.</li> <li>♦Copy all bank statements to Chair of Council for review</li> </ul>
<b>Income received into bank account</b>	<ul style="list-style-type: none"> <li>• Should be referenced with invoice number</li> </ul>	<ul style="list-style-type: none"> <li>• To be cross referenced against invoice</li> </ul>			RFO to ensure all income accounted for	
<b>Ongoing Contracts</b>	All ongoing contracts to be reviewed, at least annually	<ul style="list-style-type: none"> <li>•Ensure remains fit for purpose</li> </ul>	Approved at Council (April)	Annually		Review all non invoiced costs annually
<b>Orders/Invoice - Administration</b>	Check spend will not be over budget and less than £1000	Above £1000.00 to be referred to Council for approval	RFO		Review of payment list	<ul style="list-style-type: none"> <li>♦Analytical review.</li> <li>♦Review of monthly payments lists.</li> <li>♦Annual full invoice review</li> </ul>
<b>Orders/Invoice - Emergency spend up to £2000</b>	As required		<ul style="list-style-type: none"> <li>•RFO followed by chair with minute reference.</li> <li>•Clerk to sign that goods/services have been received.</li> </ul>	Monthly		<ul style="list-style-type: none"> <li>♦Analytical review.</li> <li>♦Annual full invoice review</li> </ul>
<b>Orders/Invoice - up to £1000</b>	<ul style="list-style-type: none"> <li>•Check spend will not be over budget.</li> <li>• Estimates per Fin Regs</li> </ul>		RFO and Chair		Review of payment list	Analytical review. Review of monthly payments lists. Annual full invoice review

<b>Orders/Invoice - £1001 - £5000</b>	3 quotes required and not over budget.	Order/Invoice to be reconciled against resolution in minutes	<ul style="list-style-type: none"> <li>•Chair with minute reference.</li> <li>• Clerk to sign that goods/services have been received.</li> </ul>		Review of payment list	<ul style="list-style-type: none"> <li>◆Analytical review.</li> <li>◆Review of monthly payments lists.</li> <li>◆Annual full invoice review</li> </ul>
<b>Orders/Invoice - Over £5000</b>	3 quotes required and not over budget.	Order/Invoice to be reconciled against resolution in minutes	<ul style="list-style-type: none"> <li>•Chair and RFO with minute reference.</li> <li>•Clerk to sign that goods/services have been received.</li> </ul>		Review of payment list	<ul style="list-style-type: none"> <li>◆Analytical review.</li> <li>◆Review of monthly payments lists.</li> <li>◆Annual full invoice review</li> </ul>
<b>Pension</b>	Ensure legal obligations in relation to pension scheme arrangements are met	<ul style="list-style-type: none"> <li>•LGPS - Monthly remittance to Hampshire Pension</li> <li>•End of year returns submitted</li> </ul>	RFO and changes to salaries the Chair	<ul style="list-style-type: none"> <li>•Monthly</li> <li>•Annual</li> </ul>		<ul style="list-style-type: none"> <li>◆Reconcile to payroll budget.</li> <li>◆Analytical review</li> </ul>
<b>Salaries/PAYE/NI</b>	<ul style="list-style-type: none"> <li>•Utilise Payroll services</li> <li>•Notify Payroll services of any changes in circumstances of any member of staff immediately</li> </ul>	<ul style="list-style-type: none"> <li>•Monthly submissions to Payroll services</li> <li>•Year end returns to HMRC are met including P35,P11D &amp;P60</li> <li>•Year on year review including NI, PAYE, Pension etc for presentation to Council</li> </ul>	<ul style="list-style-type: none"> <li>•Chair and other member authorise monthly salary</li> <li>•Any changes to salaries Council</li> </ul>	<ul style="list-style-type: none"> <li>•Monthly</li> <li>•Annual</li> </ul>		<ul style="list-style-type: none"> <li>◆Reconcile to payroll budget.</li> <li>◆Analytical review</li> </ul>
<b>Standing order</b>	<ul style="list-style-type: none"> <li>•Clerk to set up</li> <li>•Documents setting up the payments must be retained</li> </ul>	To be reconciled against invoice	Sign by RFO	<ul style="list-style-type: none"> <li>•Monthly</li> <li>•Annual</li> </ul>	RFO to set up	Annually list of DDs and SOs presented to Council
<b>VAT</b>	VAT claims	Submit VAT claims via HMRC RTI/VAT126	RFO	Quarterly		Annual review of control accounts
<b>OTHER</b>						
<b>Annual accounts</b>	RFO to present Annual account with explanations of material variances against the original council budget	Approved at Council	<ul style="list-style-type: none"> <li>•RFO</li> <li>•Chair</li> </ul>	Annually		Analytical Review
<b>Annual Budget, Precept + 3 year forecast</b>	RFO to prepare annual budget and forecast in a timely manner	<ul style="list-style-type: none"> <li>•Review and approved at Council</li> <li>•Submit Precept request</li> </ul>	<ul style="list-style-type: none"> <li>•RFO</li> <li>•Chair</li> </ul>	Annually	Precept received April and September	Analytical Review
<b>Correcting and adjusting journals</b>	Detail with explanation		RFO	As identified	Present annually to Council	Annual review of all journals
<b>Elector review</b>	Notices issued advising of time frame	Appointments to be agreed with elector	RFO	Annually		Council to be inform of result and issues
<b>External Audit</b>	<ul style="list-style-type: none"> <li>•Prepare end of year accounts</li> <li>•Prepare AGAR Section 1 and 2</li> </ul>	<ul style="list-style-type: none"> <li>•Prepare AGAR</li> <li>•AGAR to be approved at Council</li> <li>•Submit AGAR to Auditors</li> </ul>		Annually		Council to be inform of result and issues
<b>Internal Audit</b>	Internal Auditor visits 2 x year	<ul style="list-style-type: none"> <li>•Internal Audit report to be shared with Council</li> <li>•Action Internal Audit recommendations</li> </ul>	<ul style="list-style-type: none"> <li>•Review and approve actions to take at Council</li> </ul>	Bi Annually		Council to be inform of result and issues
<b>Monthly accounts</b>	RFO to present months accounts with explanation of material monthly and YTD variances	<ul style="list-style-type: none"> <li>•Review and approve at Council</li> </ul>	<ul style="list-style-type: none"> <li>•RFO</li> <li>•Chair</li> </ul>	Monthly	Monthly transactions authorised and signed by RFO	Analytical Review

<b>Monthly trends v last year</b>	RFO to prepare monthly I&E for current and last year to identify unusual items and trends		•Review and approve at Council	Monthly		Analytical Review
<b>Off Balance sheet liabilities</b>	RFO to prepare annual update as part of budget process	Noted at Council	RFO and Council	Annually		Council to review as part of the budget process
<b>Project and Ah Hoc analysis</b>	RFO to provide project updates and ad hoc analytics as RFO deems necessary or as requested by Council		RFO	As required	Review by Council	Analytical Review
<b>Risk Registers</b>	RFO to update annually	Approved at Council	RFO		Review and testing by Council	Annual review
<b>Review Internal Controls</b>	Review Controls	Consider previous year and amend as required/legislation/best practice	RFO and Council	Annually		Council to review
<b>Self Assurance</b>	Review Controls	<ul style="list-style-type: none"> <li>• Dip sample of payment procedures to test robustness of system.</li> <li>• Report findings to Council</li> </ul>	Any councillor	Biannual		Council to review

**Version Control**

Version	Owner	Date Approved	Minute Ref	Website updated	Next Review
V1 2023	Parish Council	21/02/2023	105/22	01/03/2023	Q1 2024
V2 2023	Parish Council	16/01/2024	167/23	29/04/2024	Q1 2025