

Internal Controls Policy

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Version Control

Version	Date approved	Minute Ref	Website updated	Next Review
V1	20/02/2024	182/23	29/04/2024	Q2 2025

1. Introduction

Boyatt Wood Parish Council (BWPC) is a local authority funded largely by public money and is responsible for ensuring its financial business is conducted in accordance with the law and proper practices, that public money is safeguarded, properly accounted for, used economically, efficiently and effectively. These arrangements also need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice.

The Internal Control System relates to the whole network of systems in BWPC. In discharging this overall responsibility, the Council is responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's legal functions, finance and assets and includes arrangements for management of risk.

The Accounts and Audit Regulations 2015 require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of Internal Control and prepare an annual governance statement in accordance with proper practices.

Section 3 of the Regulations states:

A relevant authority must ensure that it has a sound system of internal control which—

- a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;*
- b) ensures that the financial and operational management of the authority is effective; and*
- c) includes effective arrangements for the management of risk.*

2. Purpose of Internal Controls

Internal Control refers to an ongoing process designed by management to identify, prioritise and manage risk by evaluating the likelihood of those risks being realised and the impact should they be realised. It seeks to achieve BWPC's policies, aims and objectives by managing the risks efficiently, effectively, and economically rather than to eliminate all risk; it can therefore only provide reasonable and not absolute assurance of effectiveness.

BWPC is required annually to sign the Annual Governance Statement which forms part of the Annual Governance and Accountability Return (AGAR) submitted to the external auditor evidencing that this review has been satisfactorily undertaken.

3. Internal Control Environment

BWPC current Financial Regulations sets out the parameters for its financial operations. BWPC implements financial systems and controls to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice.

BWPC reviews its obligations and objectives and the approved annual budget forms the basis of financial control for the following year. The system of Internal controls goes beyond budget setting and takes into consideration other factors to minimise the risk of loss to the council. This includes the appointment of a Responsible Financial Officer in accordance with

the Local Government Act 1972 Section 151, that administers the Councils finances and ensures the Council remains compliant with laws, regulations, and best practice.

The internal monitoring is undertaken by the Council, Clerk and Responsible Financial Officer which includes.

- The appointment of Chair of Council to manage meetings.
- Making decisions within the remit of its Standing Orders and Financial Regulations
- Two further authorised signatories to process payments through the bank account.
- Timely creation and review of BWPC policies and procedures
- Timely creation and review of Risk Assessments.
- The integrity and reliability of information, accounts and data held on its systems

Other services are employed to process transactions and monitor performance against budget which include.

- Bespoke financial software to administer transactions and produce monthly reports for review by Council and annual report for External Auditor.
- External payroll service to process salaries
- Banking services provided by Lloyds Bank Plc.
- Independent Internal Auditor

4. Audit

BWPC have responsibility for the development and maintenance of the internal audit environment and has appointed an Independent Internal Auditor who will report to the Council on the adequacy of its records, procedures, systems, internal controls and risk management biannually. The findings of their review are presented to Council in writing and any issues and improvements actioned where appropriate. Agreed actions are monitored to ensure that they have been actioned within agreed timescales.

External audit is a regulated activity and refers to the statutory audit of the accounts as prescribed by the Joint Panel on Accountability and Governance.

BWPC reports to the external auditor annually and any comments made by them in their annual report is considered and actioned by Council.

5. Responsibility

BWPC is responsible for:

- Establishing and monitoring the achievements of the Councils aims and objectives.
- Ensuring compliance with established policies, procedures, laws and regulations
- Identification and management of risk
- Ensuring that best value for money is achieved on all purchases.
- Ensuring performance is regularly monitored against operational budgets.

6. Review of Effectiveness

BWPC has responsibility for conducting a review to evaluate the effectiveness of its risk management, control and governance processes. Additionally, it seeks and receives property, legal, insurance, and health & safety advice as appropriate to assist in managing

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

The review of the effectiveness of the system of internal control is monitored by:

- The Council, that receives monthly reports for consideration and conducts quarterly Self Assurance reviews ([See Appendix A](#)) carried out by two members of the council other than the Chair. The members will sign the Self Assurance sheet as evidence of verification of the topics inspected. Upon conclusion of the process the findings will be reported to Council.
- The Clerk and Responsible Finance Officer acts as the Council's legal advisor and administrator. They are also responsible for administering the Council's finances, development and maintenance of the internal control environment and managing risks.
- The Internal Auditor is an independent person specialising in local council matters and reports to BWPC on the adequacy of its records, procedures, systems, internal control and risk management.
- The External Auditor by assessing the Annual Governance and Accountability Return signed by The Responsible Financial Officer, The Chair and the Internal Auditor, and issues an annual audit certificate which identifies any actions that need to be taken.

Internal Control – Self Assurance

Completed by two members quarterly

No	Internal Control	Assurance Subject	Yes	No	Comments
1	Assets	Is the Asset register maintained and up to date?			
	Audit	Are Internal and External Audit reports presented to Council? Are recommendations and actions implemented in a timely manner?			
2	Bank Accounts	Is the list of authorised signatories approved by Council? Are there enough authorised internet banking signatories?			
3	Budget and Forecast	Has the budget been prepared in support of precept? Has the budget been approved by Council? Is the Council forecast recorded?			
4	Clerks Delegated budget	Is the Clerk using delegated budget appropriately? Is the Clerks budget adequate?			
5	Contracts	Ensure ongoing contracts are fit for purpose? Is a contract report prepared annually including cost for council to consider?			
6	Debit Card	Are invoices and receipts retained? Are debit card purchases reconciled against bank statement?			
7	Debtors List	Is there a debt monitoring and recovery process in place? Are formal reminder letters issued for all debts over a month old? Is a list maintained of debtors to ensure services not reissued?			
8	Employees	Do staff have contracts of employment and role specifications?			
9	Expenses	Are expenses authorised? Is the Clerks expenses authorised by Chair of Council?			
10	Financial Regulations, Standing Orders	Have Financial Regulations and Standing Orders been formally adopted?			
11	Financial Reporting	Does Council receive full finance reports and bank statements monthly? Does Council receive debtors list quarterly?			
12	Insurance	Is the insurance cover appropriate and adequate? Does insurance include fidelity guarantee?			
13	Internal Audit	Is the Internal Auditor an independent specialist? Is the Internal Auditor reviewed every 3-5 years?			
14	Internet Banking	Are the payments authorised by two signatories? Do the signatories check payments against invoices?			

15	Orders/Invoice	Is due diligence carried out prior to payment?			
16	Payment Controls	Has a Responsible Financial Officer been appointed? Are all payments and receipts recorded on to financial software? Have items or services been competitively purchased? Are purchases supported with invoices, minuted or in accordance with delegated authority? Are Minute references recorded for Finance Reports?			
17	Payroll	Is Payroll, PAYE and NIC independently administered? Is Payroll authorised monthly? Is the current salary approved by Council? Is pension administered properly? Are staff tax code as per HMRC checked annually?			
18	Precept	Is the precept approved by council and minuted? Is precept request submitted to Eastleigh District Council on time?			
19	Receipts	Are all receipts recorded?			
20	Section 137	Are S137 payments within limits and recorded separately?			
21	Services offered	Reconcile income received to membership list as appropriate? Have all Tenancy Agreements been issued?			
22	Standing Orders/Direct debits	Are automated payments approved at Annual Meeting of the Council?			
23	Risk Management	Are the risk assessment(s) for BWPC in place? Is there a business continuity plan in place? Does the Chair hold access codes to IT systems?			
24	Utilities-Meter readings	Ensure monthly readings are taken from all utility meters?			
25	VAT	Has the VAT been recorded correctly? Is VAT reclaimed quarterly?			
	Website	Is the Website up to date, with agendas, minutes, policies and procedures. Is all relevant material on website such as asset and grant register?			
26	Year End Reports	Are variances over 10% explained in words? Prepayments and Accruals are they explained? Is AGAR Section 1 and 2 approved by Council and minuted separately?			

Self-Assurance items.....were carried out by:

Name Signature Date

Name Signature Date