

MALVERN WELLS PARISH COUNCIL

INTERNAL CONTROLS POLICY and STATEMENT

Date of presentation to Finance Committee	July 2024
Date adopted	30 th JULY 2024
Date of next review	March 2025

SCOPE OF RESPONSIBILITY

Malvern Wells 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 in achieving the Council's policies, aims and objectives and to evaluate the likelihood of those risks being realised and manage them efficiently, effectively and economically.

THE INTERNAL CONTROL ENVIRONMENT

The Council

- Has appointed a Chair who is responsible for the smooth running of meetings.
- Meets 10 times each year, including an annual meeting in May.
- Approves budgets for the following year at its January meeting from which Council approves the level of precept for the following financial year.
- Regularly monitors, through the Finance Committee, the actual expenditure against budget with a forecast for the end of the year, revised as necessary.
- Appoints and reviews the work of the Internal Auditor.

Finance & Governance Committee

- Acts in an advisory capacity for ratification by Council:
- Has appointed a Chair who is responsible for the smooth running of meetings.
- Meets five times a year in March, May, October, November, December:
- Reviews actual payments and receipts against budgeted payments and receipts.
- Reviews bank reconciliations.
- Review the Council's asset register (March).

- Review the Council's insurance cover (March).
- Undertake the Assessment of Risks facing the Council (March).
- Review the Council's standing orders (May).
- Review council's H&R policies (May).
- Review the Council's reserves (October).
- Review the Council's investments (October).
- Review the Council's Financial Regulations (October).
- Prepares a draft Annual budget for approval by Council, including the precept recommendation (December).
- Review Council contracts /leases as they near renewal dates
- Receives and recommends grant applications.
- Reviews details of new activities/ projects which may require financing outside of the agreed budget for the year.
- Reviews existing policies and make recommendations for new policies as Council may need to ensure robust internal controls

The Clerk to the Council/RFO

- Is responsible for administering 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 approved bank signatories must authorise every payment 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 any one of the 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.

The council annually reviews and agrees its:

- Statement of Internal Controls
- Operational Risk Assessment.

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 council has agreed Terms of Reference for Internal Audit (separate document).

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 & Governance 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 and completes the internal audit section of the Annual Governance and Accountability Return (the AGAR).
- 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.

MALVERN WELLS PARISH COUNCIL STATEMENT OF INTERNAL FINANCIAL CONTROLS	
Cash Book / Bank reconciliations	<ul style="list-style-type: none"> • 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 monthly. • Reconciled accounts are prepared in advance of each Council meeting • The cash books, payments and receipts, and bank reconciliation is reviewed and approved by a member of the Parish Council nominated as internal control, regarding the underlying records (bank statements and minutes plus copies of accounts papers etc) at least biannually • 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
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.

<p>Order/Tender controls</p>	<ul style="list-style-type: none"> • 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. • Official orders/letters are sent to suppliers for services which are not regular.
<p>Payment controls</p>	<ul style="list-style-type: none"> • 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 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 approving the payment • 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 Clerk is authorised to setup BACS payments online. • Three members of the council are authorised to approve online bank payments. They cannot set up payments, only view and authorise them. • The Clerk is authorised to transfer funds internally ie from one of the council’s accounts to another, but not to make 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, on 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 each invoice.
<p>Legal Powers</p>	<p>A proper legal power is identified in advance of any new major expenditure. The legal power for expenditure is shown on the minutes for payments made.</p>

<p>Payments made under section 137 of the Local Government Act 1972 (aka "The Free Resource")</p>	<ul style="list-style-type: none"> • 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.
<p>VAT Repayment Claims (VAT126)</p>	<ul style="list-style-type: none"> • RFO ensures compliance with VAT notice 749 • RFO ensures that all invoices are addressed to Malvern Wells 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 bi-annually.
<p>Income controls</p>	<ul style="list-style-type: none"> • 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, cemetery fees 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.
<p>Financial reporting</p>	<p>A Budget control, comparing actual receipts and payments to the budget and the previous year is prepared on at least a monthly basis, presented to each Parish Council meeting and minuted.</p>
<p>Budgetary controls</p>	<ul style="list-style-type: none"> • 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.

<p>Payroll controls</p>	<ul style="list-style-type: none"> • 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 BACS. • 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 and will work with the member appointed as the employer's contact.
<p>Office and clerk's expenses</p>	<ul style="list-style-type: none"> • The clerk submits an expense account on the timesheet for reimbursement of monies owing for approval by Chair (who signs) this is passed to contracted payroll provider, 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 including agreed motoring expenses, as laid down by joint SLCC/NALC guidelines. • Expenses are paid by BACS within the salary payment.
<p>Asset Control</p>	<ul style="list-style-type: none"> • The RFO maintains a full asset register. The existence and condition of assets is checked on an annual 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.