

HAWKHURST PARISH COUNCIL

INTERNAL CONTROL PROCEDURE

REVIEWED: 26.07.2023.

MINUTE REF:79/23



1. SCOPE OF RESPONSIBILITY

The Account and Audit Regulations 2015 state that a Council shall be responsible for ensuring that its financial management is adequate and effective. To ensure that the Council 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.

Hawkhurst Parish Council (HPC) (the Council) is responsible for ensuring that its business is conducted in accordance with law and proper standards, and that public money is safeguarded and properly accounted for, 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 that 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

Internal control is designed to reduce financial risk to the Council, the policy ensures activities are carried out properly and as intended. Internal controls are set up by the Clerk, but it falls to Council members to ensure they have an 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 IN 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 the meetings run in accordance with Standing Orders.

- (a) The Chairman of the Council or Committee signs the last page of the minutes and initials all other pages.

- (b) Decisions made should be within the Standing Orders and Financial Regulations laid down and approved by the Council.
- (c) The Finance Committee reviews the Council's obligations and objectives quarterly, in November the Finance Committee will populate the budget and make precept recommendations to the Full Council. Full Council approves the budget and precept amount at the January monthly meeting.
- (d) Payments are made in accordance with HPC's Standing Orders and HPC's Financial Regulations.
- (e) The Finance Committee receives a financial statement at least quarterly which it approves at its committee meetings.
- (f) Two Councillors (of those named signatories) must authorise all payments loaded onto the Lloyds Bank account by the Clerk, Deputy Clerk or Administration Assistant. The Signatories will check the payment agrees with the invoice and the payee named on the invoice. The Clerk/Deputy Clerk/Administration Assistant may not authorise the payments: Council will agree the receipts and payments made for each month.
- (g) At every meeting (at least once a quarter), Full Council shall ensure that the bank reconciliation totals are reconciled to the month end bank statement and the Chairman of the Council shall initial the corresponding bank statement as evidence of this check.
- (h) At the April Full Council meeting, the Council shall ensure the bank reconciliation as of 31 March totals are reconciled to the year-end bank statement and the Chairman of the Council shall initial the corresponding statement as evidence of this check.
- (i) At the end of each quarter, at the quarterly Finance Committee meeting, the Committee will carry out a review of the internal controls (see appendix A). The Chairman of the meeting will sign on behalf of the Finance Committee to confirm the review took place.

3.2 Clerk to the Council/Deputy Clerk/Administration Assistant

The Council has appointed a Clerk to the Council who acts as the Council's advisor and has overall responsibility of all the Council's administration and finance. The Deputy Clerk is the Council's Responsible Financial Officer (RFO) and is responsible for administering the Council's finances. 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 the Council's procedures, control systems and policies are maintained and adhered to.

- (a) The duties of the Clerk/Deputy Clerk/Administration Assistant are laid down in a job description which is reviewed each year.

- (b) The Clerk submits all the requested information to the External Auditor by the required date.
- (c) The Clerk/Deputy Clerk arranges for the public notices to be displayed.
- (d) All relevant documents relating to the financial year will be retained in the Parish Office and Microshade for a period of six years plus the current year. This includes VAT returns, PAYE/NIC information, Fixed Asset Register, Accounts and supporting information, full details of document retention can be found in HPC's Document Retention policy.
- (e) The Annual Governance and Accountability Return (AGAR) will be retained indefinitely in the Parish Office and Microshade, full details of document retention can be found in HPC's Document Retention policy.

3.3 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.

- (a) The effectiveness of the internal audit is reviewed annually (usually in April), a half year inspection takes place in September, the Council agrees the appointment of the internal auditor, and this is minuted. The Internal Auditor, who is competent and independent, is advised of the scope of the work required by the Council.
- (b) The internal auditor will inspect the accounts twice during the financial year; at the half year and year end prior to the completion of AGAR and will complete the relevant pages of the AGAR.
- (c) The internal Auditor will write a separate report to the Council detailing any findings and improvements to be made.
- (d) The report from the Internal Auditor is copied to all members of the Council and considered as an agenda item at the next Full Council meeting, any improvements, or recommendations to be actioned will appear as separate agenda items to ensure changes are adopted correctly and are transparent.

3.4 External Auditor

The Council's External Auditors are appointed by the smaller Authorities Audit Appointments Ltd, once the Clerk receives the External Auditors Report this is presented to all Councillors and noted at the next Full Council meeting.

4. REVIEW OF EFFECTIVENESS

The Council has the responsibility for conducting an annual review of the effectiveness of the system of internal control. The review is informed by the work and any issues identified by:

- (a) Full Council will agree the AGAR and identify any new activities.
- (b) Clerk to the Council who has the responsibility for the development and maintenance of the internal control environment and managing and identifying risks.
- (c) Internal auditor reviews the Council's system of internal control; the auditor will make a written report which will be noted by Full Council, actions arising from the report will be added as agenda items to either the Full Council or the Finance Committee.
- (d) The Council's external auditors who make the final check using the AGAR, a form completed and signed by the Clerk, RFO, Chairman and Internal Auditor. The external auditor issues an annual audit certificate which will detail issues arising from the AGAR.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

- (a) The significant internal control issues identified by the internal auditor during the financial year to 31 March 2023
- (b) That the re-write of the Internal Controls and Financial Regulations is treated as a priority matter by the Council.
- (c) Following the re-write and approval of the Financial Regulations, the procurement practices and the use and operation of the Approved Supplier List are also reviewed.
- (d) That full and appropriate procurement controls are put in place and followed to ensure that the Council does not breach UK Government Procurement Regulations
- (e) That the Corporate Risk Register is reviewed at every Full Council Meeting as a standing item to ensure it is relevant and up to date, that new risks are captured, and existing risks are monitored and to report on the delivery and effectiveness of mitigating / management actions.
- (f) To put in place a lower-level operational Risk Management process to help support the effective running and management of the Council operations and manage risk on a day-to-day basis.

- (g) That Budget Monitoring Reports analysing actual income and expenditure against budget with narrative to explain key variances are submitted to Full Council on at least a quarterly basis and that these reports are published with the minutes on the website as part of the minutes.
- (h) To offer payers alternative methods of making payment and to schedule regular weekly payment in of cash to reduce the value of cash held in the premises.
- (i) That the Charity is treated as an entirely separate legal entity and not included within the Parish Council's area on Scribe.
- (j) The audit also puts forward the following suggestions for consideration, where there is no direct risk (or risk is considered as low) but where quality or efficiency improvements might be achieved.
- (k) All paper documentation to be scanned and related emails uploaded with the relevant transaction in Scribe. The payment run invoices are emailed to authorisers prior to Council Meetings and return emails confirming authorisation to be filed with the payment run list and invoices in a specific payment run electronic folder.
- (l) Website Accessibility: Insert a narrative at the top of the Accessibility page that tells the user how to access the accessibility controls.
- (m) Insurance: That elements and values of the Property Insurance to be reviewed as there appear to be inconsistencies in the insurance schedule.

Appendix A

		28/07/2023		25/10/2023		24/01/2023		24/04/2024
Check transfer amount agrees with the invoices, check invoices against the cashbook.	Yes/No		Yes/No		Yes/No		Yes/No	
Non standardised payments, check payment authorisations and minutes of meetings. Check Clerks authorisation if no meeting takes place.	Yes/No		Yes/No		Yes/No		Yes/No	
Monthly bank reconciliation completed, and bank statements signed by the Chairman.	Yes/No		Yes/No		Yes/No		Yes/No	
VAT reclaim quarterly, check report generated on Scribe.	Yes/No		Yes/No		Yes/No		Yes/No	
Quarterly comparisons of income and expenditure to be completed and reviewed by the Finance Committee.	Yes/No		Yes/No		Yes/No		Yes/No	
Payroll and previously agreed payments agree with council approved amounts. Check timesheets and working hours report.	Yes/No		Yes/No		Yes/No		Yes/No	

