EWELME PARISH COUNCIL

INTERNAL CONTROLS POLICY

1. Purpose

Ewelme Parish Council is committed to maintaining effective internal controls to safeguard public money, assets and information and to ensure that Council decisions and financial transactions are properly authorised, recorded and reported.

The purpose of this policy is to establish a clear framework of internal controls which:

- protects the Council's assets and finances;
- reduces the risk of fraud, error, loss or misuse of funds;
- ensures expenditure is properly authorised;
- ensures income is properly recorded and accounted for;
- provides accurate and reliable financial information;
- ensures the Council complies with relevant legislation, regulations and its own Financial Regulations;
- supports transparency and accountability;
- provides assurance to councillors, residents, auditors and other stakeholders.

The Council recognises that internal controls must be proportionate to the size and activities of the Council.

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2. Scope

This policy applies to:

- all Parish Councillors;
- the Clerk/Responsible Financial Officer (RFO);
- employees and contractors involved in Council finances;
- members of committees or working groups where they have financial responsibilities;
- anyone authorised to handle Council money, assets or financial information.

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3. Responsibility for internal control

The Parish Council as a whole has ultimate responsibility for ensuring that appropriate internal controls are maintained.

3.1 The Parish Council

The Council will:

- approve its Financial Regulations;
- approve its annual budget and precept;
- approve significant expenditure;
- review financial reports regularly;
- ensure appropriate banking arrangements are maintained;
- monitor the effectiveness of internal controls;
- appoint an Internal Auditor;
- consider the findings of internal and external audits;
- take appropriate action where weaknesses are identified.

3.2 The Clerk/RFO

The Clerk/RFO is responsible for implementing the Council's financial controls and maintaining appropriate financial records.

The Clerk/RFO will:

- maintain accurate accounting records;
- prepare financial reports for the Council;
- ensure payments are properly authorised;
- maintain appropriate supporting documentation;
- undertake regular bank reconciliations;
- monitor the budget;
- maintain the asset register;
- ensure invoices and receipts are retained;
- maintain appropriate records of income and expenditure;
- ensure statutory financial requirements are met;
- report suspected fraud, irregularity or financial control weaknesses to the Council promptly.

3.3 Councillors

Councillors are responsible for:

- exercising appropriate oversight;
- reviewing financial information presented to the Council;
- challenging unusual or unexplained transactions;
- ensuring expenditure is properly authorised;
- declaring interests where required;
- complying with the Council's Financial Regulations and other relevant policies.

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4. Segregation of duties

The Council will, wherever reasonably practicable, separate financial duties between different individuals.

Examples include separating:

- preparation of payments from payment authorisation;
- bookkeeping from independent review;
- bank reconciliation from the person making payments;
- approval of expenditure from processing the payment.

Because Ewelme Parish Council is a small authority, complete segregation of duties may not always be possible.

Where duties cannot reasonably be separated, the Council will use compensating controls, including:

- regular councillor review;
- independent bank reconciliation review;
- review of payment lists;
- review of accounting records;
- annual internal audit;
- periodic checks by a councillor who is not involved in processing the transaction.

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5. Bank accounts

The Council's bank accounts will be held in the name of Ewelme Parish Council.

The Council will:

- maintain appropriate banking arrangements;
- ensure bank mandates are approved by the Council;
- periodically review authorised signatories;
- remove individuals from mandates when they cease to hold the relevant position;
- ensure online banking access is appropriately restricted;
- maintain secure banking credentials.

Bank accounts will not be held in the personal name of a councillor, employee or other individual.

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6. Online banking and electronic payments

Electronic payments will be made only in accordance with the Council's Financial Regulations.

Where possible, the Council will operate a three-way authorisation system for electronic payments.

Payment authorisers must:

- be authorised by the Council;
- use their own secure login credentials;
- not share passwords or authentication information;
- verify the payment details before authorising a transaction.

Where a new bank account or supplier payment detail is provided, the details should be independently verified before payment is made.

Changes to supplier bank details should not be accepted solely by email without appropriate verification.

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7. Payment controls

All payments must be:

1. for a legitimate Council purpose;
2. supported by appropriate documentation;
3. within the approved budget or otherwise properly authorised;
4. approved in accordance with the Council's Financial Regulations;
5. accurately recorded in the accounting system.

The Council will maintain a schedule of payments showing, as appropriate:

- date;
- supplier/payee;
- description;
- amount;
- payment method;
- authorisation;

Payment schedules will be presented to the Council for approval in accordance with the Council's Financial Regulations.

Urgent payments made between meetings will be dealt with in accordance with the Council's Financial Regulations and subsequently reported to the Council.

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8. Invoices and supporting documentation

Invoices should be addressed to Ewelme Parish Council and should contain sufficient information to demonstrate what has been purchased.

Before payment, invoices should be checked to confirm:

- the goods or services were actually received;
- the amount is correct;
- the expenditure is appropriate;
- the expenditure has been authorised;
- the invoice has not already been paid.

Supporting documentation will be retained in accordance with the Council's document retention requirements.

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9. Procurement and purchasing

The Council will comply with its Financial Regulations and applicable procurement requirements.

Before committing to expenditure, the Council will consider:

- whether the expenditure is within its legal powers;
- whether there is sufficient budget;
- whether quotations or tenders are required;
- whether the supplier is appropriate;
- whether any conflicts of interest exist;
- whether the Council has obtained appropriate value for money.

Where quotations or tenders are required, the process will be properly documented.

Councillors and staff must declare any actual, potential or perceived conflict of interest relating to a supplier or procurement decision.

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10. Purchase orders and commitments

Where appropriate, the Council will use purchase orders or other written confirmation of authorised expenditure.

The Council will maintain records of significant financial commitments so that future liabilities are taken into account when monitoring the budget.

No employee or councillor may commit the Council to expenditure beyond their delegated authority.

11. Budgetary control

The Council will approve an annual budget before setting the precept.

The Clerk/RFO will monitor actual income and expenditure against the approved budget.

Financial reports should be provided to the Council regularly and should identify, where appropriate:

- budget;
- actual expenditure;
- income received;
- significant variances;
- forecast expenditure;
- available reserves;
- outstanding commitments.

Significant or unexplained variances will be investigated.

Where expenditure is likely to exceed the approved budget, the matter will be referred to the Council for consideration and appropriate authorisation.

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12. Bank reconciliations

Bank accounts will be reconciled regularly and, as a minimum, at least monthly.

The bank reconciliation will compare:

- the bank statement balance;
- the Council's accounting records;
- outstanding payments;
- outstanding receipts;
- other reconciling items.

The reconciliation should be independently reviewed by someone other than the person who prepared it, where practicable.

The reviewer should confirm that:

- the reconciliation is mathematically correct;
- the balance agrees with the accounting records;
- unusual or unexplained items have been investigated;
- the reconciliation has been completed promptly.

Evidence of the review will be retained.

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13. Cash and petty cash

The Council will minimise the use of cash wherever practicable.

Where cash is held:

- it will be kept securely;
- cash transactions will be recorded promptly;
- receipts will be obtained where possible;
- cash balances will be periodically checked;
- discrepancies will be investigated.

Petty cash, where maintained, will be operated in accordance with the Council's Financial Regulations.

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14. Income and receipts

All income received by the Council must be properly recorded and promptly banked.

Income may include:

- grants;
- donations;
- hall or facility hire;
- fees and charges;
- reimbursements;
- other Council receipts.

The Council will maintain appropriate records of income received.

Where appropriate, income will be reconciled to supporting records such as invoices, booking records, grant documentation or receipts.

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15. Grants

Before awarding a grant, the Council will ensure that:

- the grant is within the Council's legal powers;
- the Council has properly approved the grant;

- the recipient and purpose are recorded;
- appropriate supporting information has been obtained;
- any conditions attached to the grant are recorded.

Where appropriate, the Council may require evidence that a grant has been used for its intended purpose.

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16. Payroll and employee payments

Payroll will be operated in accordance with approved employment arrangements and applicable legislation.

The Council will ensure that:

- salaries and wages are properly authorised;
- changes to pay are approved;
- hours or additional payments are authorised;
- PAYE and National Insurance obligations are correctly dealt with;
- pension obligations are met where applicable;
- payroll records are retained;
- payroll reports are reviewed.

Where possible, payroll calculations will be independently checked before payment.

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17. Councillor allowances and expenses

Councillors may only claim expenses which are permitted under the Council's policies and applicable regulations.

Claims should:

- be submitted promptly;
- identify the purpose of the expenditure;
- be supported by receipts where appropriate;
- be checked and authorised in accordance with the Council's procedures.

A councillor should not authorise their own expense claim.

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18. Asset management

The Council will maintain an up-to-date asset register.

The register should include, where appropriate:

- description of the asset;
- location;
- date acquired;
- acquisition value or appropriate recorded value;
- serial number or identifying information;
- disposal details where applicable.

The asset register will be reviewed at least annually.

Significant changes to Council assets will be reported to the Council.

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19. Insurance

The Council will maintain appropriate insurance cover based on its activities and assets.

Insurance arrangements will be reviewed periodically to ensure that:

- the Council's assets are appropriately covered;
- public liability cover is appropriate;
- employer's liability insurance is maintained where required;
- other relevant risks are considered.

Any significant incident which may give rise to an insurance claim should be reported promptly.

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20. Fraud and financial irregularity

The Council has a zero-tolerance approach to fraud, theft and deliberate financial irregularity.

Examples include:

- theft of Council funds or property;
- submitting false expense claims;
- creating false invoices;
- unauthorised payments;
- deliberate manipulation of financial records;
- accepting improper financial benefits;
- using Council resources for personal purposes without authorisation.

Any suspected fraud or financial irregularity must be reported promptly to the Chair and/or Clerk/RFO, as appropriate.

The Council will consider whether the matter should be referred to:

- the police;
- the Council's Internal Auditor;
- the External Auditor;
- the Monitoring Officer;
- another appropriate authority.

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21. Conflicts of interest

Councillors and staff must declare relevant interests in accordance with the Council's procedures and applicable legislation.

A person with a conflict of interest should not take part in a financial decision where their involvement could compromise the integrity of the decision.

The Council will maintain appropriate declarations of interest records.

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22. Passwords and financial information

Access to financial systems will be restricted to authorised individuals.

Users must:

- maintain secure passwords;
- not share passwords;
- use their own accounts where individual access is available;
- protect authentication information;
- report suspected unauthorised access promptly.

Financial records should be securely backed up.

Electronic records containing personal or financial information will be handled in accordance with the Council's Data Protection Policy.

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23. Cybersecurity

The Council recognises that electronic fraud and cybercrime present a financial risk.

The Council will take reasonable steps to protect itself from:

- phishing emails;
- fraudulent payment requests;
- compromised email accounts;
- unauthorised access;
- malware;
- fraudulent changes to supplier bank details.

Particular care should be taken with requests to:

- change bank details;
- make urgent payments;
- disclose passwords;
- transfer money;
- provide sensitive information.

Where a payment request appears unusual, the request should be independently verified before payment is made.

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24. Financial records

The Council will maintain complete and accurate financial records, including where applicable:

- invoices;
- receipts;
- bank statements;
- bank reconciliations;
- payment schedules;
- accounting records;
- payroll records;
- grant records;
- contracts;
- quotations and tenders;
- budgets;
- asset registers;
- insurance records;
- audit documentation.

Records will be retained securely for the appropriate statutory or operational period.

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25. Transparency and reporting

The Council will comply with applicable transparency requirements.

Financial information will be made available to councillors and the public where required by law or regulation.

The Council will publish information required under applicable transparency legislation and guidance.

Confidential or personal information will not be disclosed where there is a lawful reason for it to remain confidential.

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26. Internal audit

The Council will appoint an independent and competent Internal Auditor.

The Internal Auditor will provide an independent assessment of the Council's internal controls and financial procedures.

The Internal Auditor should consider, as appropriate:

- accounting records;
- bank reconciliations;
- payment controls;
- income controls;
- payroll;
- asset records;
- budgeting;
- insurance;
- procurement;
- compliance with Financial Regulations;
- other areas identified as presenting financial risk.

The Council will consider Internal Audit findings and take appropriate action where recommendations are made.

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27. External audit

The Council will comply with the requirements of its External Auditor and the applicable Annual Governance and Accountability Return process.

The Council will:

- prepare the required financial statements and governance information;
- approve the Annual Governance Statement;
- approve the Accounting Statements;

- publish required information;
- respond appropriately to any external audit findings.

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28. Review of internal controls

Internal controls will be reviewed regularly to ensure that they remain appropriate and effective.

The Council will consider:

- Internal Audit findings;
- External Audit findings;
- financial variances;
- incidents of fraud or error;
- changes in staffing;
- changes in banking arrangements;
- changes in legislation;
- changes in Council activities;
- identified risks.

Any significant weakness in internal control will be addressed promptly.

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29. Whistleblowing

The Council encourages employees and others to raise genuine concerns about:

- fraud;
- financial misconduct;
- misuse of Council funds;
- serious breaches of financial procedures;
- corruption;
- serious legal or regulatory breaches.

A person raising a genuine concern will not be victimised or disadvantaged for doing so.

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30. Review of this policy

This policy will be reviewed at least annually.

The review will consider whether:

- the policy remains appropriate;
- financial regulations have changed;
- audit recommendations have been implemented;
- new financial risks have arisen;
- changes to banking or accounting arrangements are required;
- additional controls are necessary.

Any amendments will be approved by the Parish Council.

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31. Key internal control checklist

The following controls should be completed and evidenced as appropriate:

- Annual budget approved by the Council.
- Precept properly agreed and submitted.
- Financial Regulations reviewed and adopted.
- Bank mandates reviewed.
- Bank reconciliations completed regularly.
- Bank reconciliations independently reviewed.
- Payment schedules presented to the Council.
- Payments properly authorised.
- Invoices checked before payment.
- Supplier bank detail changes independently verified.
- Budget versus actual expenditure reviewed.
- Significant variances investigated.
- Income recorded and reconciled.
- Asset register reviewed.
- Insurance arrangements reviewed.
- Payroll independently checked where practicable.
- Councillor expenses properly authorised.
- Grants properly approved and recorded.
- Procurement requirements followed.
- Conflicts of interest declared and managed.
- Financial records securely retained.
- Internal Audit completed.
- Internal Audit recommendations considered.
- Annual Governance and Accountability Return completed and approved.
- External Audit requirements complied with.
- Internal controls reviewed annually.