Internal Controls Policy

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1. Scope of responsibility

1.1 Loxwood Parish Council is responsible for ensuring that there is an adequate and effective system of internal audit of its accounting records, and of its system of internal control in accordance with Proper Practices. The system of internal control is designed to ensure that the Council's activities are carried out properly and as intended. Internal controls are set up by the Clerk/RFO, pursuant to their duties under Regulation 4 of the Accounts and Audit Regulations 2015, but it falls on Members to ensure that they have a degree of control and understanding of those controls. Controls will include the checking of routine financial procedures; the examination of financial comparisons; the recording of assets and liabilities; the identification of risk and to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively, and economically.

1.2 The Council's Clerk is the appointed Responsible Finance Officer (RFO) responsible for the financial administration of the Council in accordance with section 151 of the Local Government Act 1972.

2. Standing Orders and Financial Regulations

2.1 The Council adopts the NALC model Standing Orders and Financial Regulations, which ensures that the Council complies with legislation, particularly in relation to securing competition and regulating the way tenders are invited.

2.2 The Council reviews these documents annually and confirms adoption at its Annual Parish Council Meeting in May.

3. Financial Transactions

3.1 The Council uses a reputable and industry recognised accounting software package to accurately and promptly record all financial transactions and maintain up to date accounting records throughout the year, together with all necessary supporting information.

3.2 The Council reviews all financial transactions at each monthly meeting and Payments and Receipts Analysis reports are countersigned by two (2) Councillors signatories.

3.3 The Council reviews a detailed income and expenditure report for the year-to-date at six monthly intervals or as required by the Council.

3.4 The Council, or its standing Committees with delegated authority and approved budgets considers and approves all orders for goods and services in advance. Decisions are minuted.

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3.5 The Council adopts a Scheme of Delegation, which is reviewed annually in May. The Council recognises that the Scheme of Delegation is an essential policy which enables the Council to function efficiently and effectively. Decision making powers are given to both Committees and Officers to enable the Council to react to circumstances and operate correctly.

3.6 The Council maintains Terms of Reference documents for all Committees, Sub- Committees and Working Groups which details the scope of their activity, any agreed delegated authority, and approved budgets. These documents are reviewed annually.

4. Internal audit procedure

4.1 At least biannually, the Council's or the Finance Committee conducts the following checks: -

- Proper bookkeeping.
- Income received.
- Bank reconciliations for each of the Council's bank accounts.
- Investments and savings: ensures that the Council's funds are managed properly and that any amounts surplus to requirements are saved / invested appropriately and in accordance with the DLUHC's statutory Guidance on local government investments.
- Reserves: ensure the Council has an appropriate level of General Reserves and purpose for all Earmarked Reserves.
- Budgetary controls: monitor actual performance against its budget throughout the year and ensures appropriate budgets are in place for Council activities and reports to full Council.
- Financial appraisals: undertaken before the Council commences any significant project or enters any long-term commitments, including loans and long-term liabilities.
- VAT reclaim: undertaken quarterly.
- Loan account review.

The process is minuted.

4.2 At least annually, the Council reviews its: -

- Risk Management arrangements.
- Assets register: to ensure that its fixed assets and equipment are secured, properly maintained, and efficiently managed.
- Insurance.

4.3 The Council is responsible for any asset disposal and for the use of any resulting capital receipt.

5. Payroll

5.1 The Council has a standing Service Level Agreement (SLA) in place with West Sussex County Council (WSCC) to deliver its payroll responsibilities, including National Insurance and Pension

contributions. This ensures that it has complied with its duties under employment legislation and has met its pension obligations.

5.2 The Council reviews its payroll liabilities and controls annually.

6. Banking

6.1 The Council approves bank mandates at each Council meeting authorising Councillors to sign the mandate as approved.

6.2 A review of the Council's banking is undertaken annually, unless required more frequently due to a change in circumstances.

7. Internal Auditor

7.1 The Council appoints an independent and competent Internal Auditor who will report to the Council on the adequacy of its compliance with JPAG Proper Practices.

7.2 The Council agrees the appointment of the Internal Auditor and will not maintain a professional relationship with an individual auditor for more than four (4) years.

7.3 The Council reviews the effectiveness of the internal audit annually and the review is minuted.

7.4 The Internal Auditor will inspect the accounts of the year end (prior to completion/submission of the Annual Return pages 4 and 5) and will complete page 3 of the Annual Return.

7.5 The Internal Auditor will conduct an interim internal review and write a separate report to the Council detailing any findings they might have.

7.6 All reports received from the Internal Auditor are copied to all Members of the Council and considered as an agenda item at the next meeting.

7.7 Recommendations from the reports will be recorded in the minutes.

8. Review of effectiveness

8.1 The Council and Finance Committee has responsibility for conducting an annual review of the effectiveness of the system of internal control. This is normally undertaken by the Finance Committee at the time of review of the documents for Internal Audit and by the Council at this time of signing the Governance statement on the AGAR document.

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8.2 The review is informed by the work of, and any issues identified by:

- Full Council and Council Committees - identification of new activities.
- Clerk/RFO who has responsibility for the development and maintenance of the internal control environment and managing risks – risks identified.
- Internal Auditor who reviews the Council's system of internal control. The auditor will make a written report to the Council – action arising from reports.
- The Councils External Auditors, who make the final check using the Annual Return, a form completed and signed by the Clerk/RFO, the Chair of the Council and the Internal Auditor. The External Auditor issues an Annual Audit Certificate – action arising from External Audit Report.

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