

# Whixall Parish Council



## System of Internal Controls

### Background

Whixall Parish Council has a responsibility to manage its finances properly and to ensure compliance with all legal requirements. Additionally, it has a responsibility to manage all financial risks. To assist with this, the Council requires a system of internal control.

This is an operational document and should be read in conjunction with the Council's Financial Regulations

### Internal Control Roles Overview

#### The Council:

- has adopted Financial Regulations which set parameters for its financial operations;
- reviews its obligations and objectives and approves budgets for the following year at its January meeting;
- approves the level of precept for the following financial year at its January meeting;
- annually appoints a Councillor to carry out bank reconciliation checks. This Councillor is a non-signatory;
- monitors progress at each full council meeting by receiving relevant reports from the RFO / Clerk; and
- carries out regular reviews of its internal controls, systems and procedures.

#### The Clerk:

- has been appointed by the Council and acts as the Council's advisor and administrator;
- is the Council's Responsible Financial Officer (RFO) and has responsibility for administering the Council's finances;
- carries out regular budget monitoring and provides quarterly reports to the Council;
- is responsible for day-to-day legal and regulatory compliance and for managing risks
- ensures adherence with the Council's procedures and control systems.

### Payment Processes Overview

- All payments are reported to the Council for approval;
- Two members of the Council must authorise all payments and adhere to the Council's Financial Regulations in doing so;
- Where delegated payments made, as per the Local Government Act 1972, s101(1a) and the Council's Financial Regulations, a report will be provided to the next full Council.

### Risk Assessments / Risk Management:

- The Council maintains up to date risk assessments as appropriate, reviewing all documents at least annually, and regularly reviews its systems and controls.
- The Council seeks and receives appropriate property, legal, insurance and health and safety advice as appropriate to manage risk.

### Specific Internal Controls

These are set out in appendix A.

### Audit

#### Internal Audit

- The Council appoints an independent and competent internal auditor who reports to the Council on the adequacy of its records, procedures, systems, internal controls and risk

management as part of the Annual Governance and Accountability Return (AGAR) process

- Any issues raised by the Internal Auditor are reported in writing to the Council and agreed actions are monitored to ensure that they have been carried out and actioned within agreed timescales.
- The Council reviews the effectiveness of internal audit annually.

#### External Audit:

- Smaller Authorities Audit Appointments (SAAA) appoints an external auditor to carry out a limited assurance review on behalf of town and parish Councils<sup>1</sup>
- The Council will normally declare itself exempt from external audit as its turnover is less than £25k. Should an external audit be required, following completion the annual Certificate of Audit is provided, which is presented to Council

### **Review of Effectiveness**

On at least an annual basis, the Council has responsibility for conducting a review of the effectiveness of the system of internal control, which is monitored and informed by:

- the Council;
- the Clerk / Responsible Financial Officer;
- reports from the independent Internal Auditor;
- reports from the External Auditors (where appropriate).

Reviewed	May 2025
Review Frequency	Annually
Next Review	May 2026

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<sup>1</sup> The current external auditor is PKF Littlejohn (2025)

### Authorised Signatories

For approving online payments or signing cheques, the requirement is two signatories. The Council will always have a minimum of three councillors who are signatories in order to ensure business continuity. These will be the Chair, Vice Chair and one additional nominated councillor.

### Payroll

- Salary scale point for following year is agreed in October (based on employment contract)
- Pension contributions are calculated using NEST online (printout provided as evidence). Council has resolved to contribute 5.5% of gross salary, employee must contribute a minimum of 5.5%.
- PAYE and NI are calculated using HMRC Basic tool (payslip provided as evidence of net salary and PAYE contribution)

### Process for approving payments

- All payments must be approved by the Council and the decision minuted
- Evidence must be provided for every payment
- For invoices
  - Receipt of goods/services is confirmed before payment is made
  - Invoices are checked arithmetically
  - A record is kept of VAT paid
- For each payment to be made:
  - A unique reference number is allocated
  - The appropriate power to spend is checked
  - Net, VAT and total payment are recorded
- Payment information is shown in the meeting agenda, along with any payments made under delegated powers.
- Invoices received post-agenda are tabled at the meeting
- Approval of payments is minuted

### Process for making payments using online banking

- All online payments require approval by two signatories
- The clerk/RFO uploads payments but cannot approve the transactions
- Signatories receive the following along with a request to approve the payments:
  - Scanned evidence of each payment to be made
  - List of payments approved by Council
  - Screenshot from banking site showing payments waiting to be approved. This is annotated to show the unique payment reference relating to each transaction.

### Records of Payments

Hard copies of the following are kept

1. Payment evidence along with associated orders where appropriate
2. List of payments approved by council
3. Annotated screenshot of payments to be approved

### Process for ensuring cashbook and bank accounts reconcile

At least one week before a full council meeting, the clerk/RFO will send the following to the nominated councillor:

- Copy of the previous minutes showing all approved payments for the previous month
- Evidence for any additional payments made using delegated powers
- Copy of the bank statements
- Copy of the bank reconciliation sheets which show the bank balances, cash book balance and any approved payments which are outstanding.

The nominated councillor will then check that the cashbook balance agrees with the total bank balance minus outstanding payments. They will confirm this at the full council meeting and initial the bank reconciliation spreadsheet on behalf of the Council.

### **Process for making VAT reclaims**

The Council's finance software records VAT separately and produces a report to support VAT reclaims.

VAT reclaims can be made quarterly, but as a minimum, the Council reclaims VAT in March each year. A record of each claim is kept on file.