

ITCHEN VALLEY PARISH COUNCIL

FINANCIAL PROCESSES AND INTERNAL CONTROL

1.0 OVERVIEW

- 1.1 The document, "Accountability for Local Councils. A Practitioners' Guide (England) 2018", and as it may be amended, imposes a duty on local councils to ensure "that the financial management of the body is adequate and effective and that the body has a sound system of internal control". The Council is required to confirm this position as part of the annual audit process and the Annual Governance & Accountability Return (AGAR).
- 1.2 Local councils are required, at least once a year, to conduct, in accordance with proper practices, a review of the effectiveness of its system of internal control. The Council is required to sign the annual governance statement (on the AGAR submitted to the external auditor) to confirm that this review has been undertaken.
- 1.3 In order for the Parish Council to review the effectiveness of the internal control system there needs to be clarity on the internal controls in place.
- 1.4 Some internal controls are listed in the Financial Regulations document, but the system of controls goes beyond this. A Statement of Internal Controls applying to financial processes has therefore been prepared and this is included in the following pages.

2.0 RECOMMENDATION

- 2.1 That the Parish Council consider the attached document, "Main Financial Processes and Internal Controls", reviewing it to consider whether the controls currently in place are adequate and effective.

Reviewed by: Yvette Riley, Chairman F&GP, Alan Weaver, Clerk and RFO, and the F&GP Committee at their meeting on 13th November 2018.

The following document, "Main Financial Processes and Internal Controls", was considered by Itchen Valley Parish Council at its Full Council Meeting on 6th December 2018 and approved by the Council as a true statement of the processes undertaken by the Council and the Clerk/RFO.

Signature of Chairman:

Date:

MAIN FINANCIAL PROCESSES AND INTERNAL CONTROLS

Notes:

1. The Clerk and RFO roles for the IVPC are carried out by one individual who is part-time; therefore reference in this text is made to the “Clerk/RFO” being the same person. There are no other employees of the IVPC.
2. The following abbreviations have been used: IVPC = Itchen Valley Parish Council; FCM = Full Council Meeting; F&GP = F&GP Committee meeting; WCC = Winchester City Council.

Cash Book/Bank Reconciliations

- The cash book is kept electronically by the Clerk/RFO (on an excel spreadsheet on the Parish Councils computer), maintained up to date from original documents (such as invoices, payments and cheques) and online bank transactions.
- The cash book is reconciled to the bank statement at monthly by the RFO.
- The IVPC has a current and deposit account with the Unity Bank. The RFO also has a Parish Council Credit Card.
- A summary (such as opening cash balance, receipts, payments and closing balance) of reconciled accounts is usually included in the minutes of each Full Council for reference. In addition a more detailed bank reconciliation is reported to the F&GP quarterly, and minuted as such.
- Annually, or more frequently, the cash book, payments and receipts and bank reconciliation are reviewed by one, or more, members of the Parish Council, with reference to the underlying records (bank statements, minutes, copies of relevant accounting papers etc.).

Financial Regulations

- The Parish Council has adopted financial regulations, based on the model version prepared by NALC/HALC. The regulations are reviewed annually for continued relevance and amended where necessary by the Clerk/RFO with any proposed amendments subject to approval by the Parish Council order/tender control processes.
- The Financial Regulations of the IVPC specify 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 in nature.

Legal Powers

- The Parish Council uses its general statutory powers.

Payment Controls

- Depending on the nature of the supply, and following checks with Councillors if appropriate, the Clerk/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 date order in the cash books and in accounts files.

- All invoices for payment are listed and presented at either the F&GP and FC meetings. The expenditure is to be authorised for payment. (If not within budget and F&GP authority, then the item will be referred to FCM for approval.)
- Payments awaiting authorisation are listed on a separate sheet, submitted to the F&GP or FCM, and reported in the minutes of both meetings. If approved, the listing is then signed by 2 Councillors who are authorised bank signatories. F&GP minutes are sent to the next FCM for information/questions.
- Original invoices are available to the Councillors at the F&GP and FCM, and in particular to those signing the cheques or authorising the online payments list.
- The Parish Council has moved away from using Cheques, However should one be needed it will be signed by two Councillors, who are authorised to sign according to the IVPC's bank mandate.
- The Council mostly uses an online banking system, for the purpose of making payments and viewing statements. Payments once approved by F&GP or FCM are set up, normally by the Clerk/RFO, and authorised online by a third Councillor who has the authorised signed list of payments and appropriate bank mandate authority. Following online authorisation to the bank, the Councillor concerned sends an email to the Clerk/RFO to confirm online authorisation has been given.
- If an F&GP meeting has not been arranged, then the above processes must be followed as part of the FCM.
- The Clerk/RFO maintains control of the cheque book at all times, cheques will only be issued and signed for payments approved at F&GP or at FCMs.
- Whilst most invoices are paid by online transfer, when invoices are paid by cheque, they are identified by the cheque number and referenced in the cashbook by the cheque's number. This is cross checked with the bank statements.

Credit/Corporate Multi-User Pay Card Controls

- The Parish Council has a Corporate MultiPay Card in the possession of the Clerk/RFO for purchase of certain goods and services (excluded categories include medical supplies, fuel, travel, hotel and accommodation, restaurant and bars, etc.)
- There is a £1000 maximum single transaction and collective limit for expenditure per annum, and expenditure is subject to the approval of Full Council, F&GP Committee or to their chairs in cases of emergencies. The Clerk/RFO has authority to make such expenditure without approval in circumstances where there is an extreme risk to the delivery of Parish Council services.
- The Clerk/RFO and Chair of F&GP Committee are Programme Administrators for Corporate MultiPay Card Account and can access account electronically (subject to password and security controls) transaction information and monthly statements.
- In addition, the Clerk/RFO forwards the most recent monthly statement to the Chair of F&GP with his monthly payment and expenses details prior to each F&GP Committee
- All Corporate MultiPay Card Account payments, including monthly subscription payment for use of the card, are recorded in the same manner as other payments as listed in the Payment Controls section above.

VAT Repayment Claims

- The Clerk/RFO ensures that all invoices are addressed to the IVPC.
- The Clerk/RFO ensures that proper VAT invoices are received where VAT is payable.
- The Clerk/RFO maintains a VAT account to show that the correct amount of VAT is reclaimed in the year.
- VAT is reclaimed on a ½ yearly basis or more frequently if specified by the RFO.

Income Controls

- The Clerk/RFO ensures that the amount of the precept received is correct in accordance with the precept request sent to the WCC.
- The Clerk/RFO ensures that the precept instalments are received when due.
- The Clerk/RFO ensures that other receipts (e.g. deposit interest, rents etc.) are received when due and correctly calculated.
- Receipts are issued for cash received. Receipt numbers are recorded against payments received.
- Income is banked promptly.

Financial Reporting

- The Parish Councils management accounts, comparing actual receipts and payments to the budget and the previous year is prepared at least twice each year, presented to the FCM in advance of the meeting, and minuted.
- The budget is prepared in consultation with the Councillors, as evidenced by reports and minutes in advance of the start of the year.
- The precept is set based on the budget, by the deadline set by WCC.

Payroll Controls

- The Clerk/RFO is paid under PAYE as an employee and the necessary system for HMRC is in place.
- The Parish Council has subcontracted the preparation and submission of the clerks payroll.
- The Clerk/RFO submits his overtime and motor mileage claims monthly to the payroll provider, who verifies them with the Chairman of F&GP.
- The payroll provider provides a monthly salary statement for the Clerk/RFO and a statement of PAYE and NIC liability for the accounts.
- The Clerk/RFO's salary is set as per contract. Any amendments to the Clerks/RFO's salary is approved after an appraisal carried out by the Chairman of F&GP and approval by FCM
- The salary is paid by BACS online.
- The Clerk/RFO ensures that the payroll provider all the necessary payroll returns are made to HMRC and retains evidences that this has been done.

Office and Clerk/RFO's Expenses (excluding motor milage)

- The Clerk/RFO submits a request for reimbursement of monies owing by way of an expense account, authorised according to the payments process referred to above.
- Expenses are normally paid online - see approval process above - and the expense sheet treated as an invoice for accounting purposes.

Asset Control

- The Clerk/RFO maintains a full Asset Register.
- The existence and condition of assets is checked on an annual basis by members of the Parish Council.
- The adequacy of insurance of the Parish Council's assets is considered by the F&GP, and reported to the FCM, annually in advance of the insurance renewal.

November 2016