

**HARTBURN
PARISH COUNCIL
INTERNAL CONTROL POLICY**

Approved:

1. Scope of Responsibility

- 1.1 Hartburn Parish Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 1.2 In discharging this overall responsibility, the Council is also responsible for ensuring that there is 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.
- 1.3 The Accounts and Audit Regulations 2015 require smaller authorities, each financial year to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts.

2. The Purpose of the System of Internal Control

- 2.1 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 who is the Responsible Financial Officer, but the Council members must ensure that they have an understanding of those controls and that they are operated effectively.

3. Personnel Involved with the Internal Control Environment

3.1 The Council:

- (i) The Council has appointed a chairman who is responsible for the smooth running of meetings and for ensuring all of Council's decisions are lawful. The Chairman signs each page of the minutes at the Council meetings.
- (ii) Decisions are made in accordance with Hartburn Parish Council's Standing Orders and Financial Regulations, reviewed and approved annually by the Council.
- (iii) The Council meets four times a year and receives a quarterly financial statement which it approves at its Council meeting. Payments are made in accordance with Standing Orders and Financial Regulations.
- (iv) The Council reviews its obligations and objectives and approves budgets for the following year at its December meeting. The December meeting approves the level of precept for the following financial year.

- (v) Two members or one member and the Clerk must sign all cheques. The signatories also initial the cheque stubs. The signatories will ensure that the cheque agrees with the amount of the invoice and the payee named on the invoice. The Clerk/Responsible Financial Officer may not authorise payments, but a resolution from the Council will agree the receipts and payments made.
- (vi) At the year end, The Chairman shall ensure that the cash book totals are reconciled to the yearend bank statement and shall sign the cash book and the yearend bank statement as evidence of this check.

3.2 The Clerk to the Council/Responsible Financial Officer:

- (i) The Council has appointed a Clerk to the Council who acts as the Council advisor and administrator. The Clerk is the Council's Responsible Financial Officer and is responsible for administering the Council's finances.
- (ii) 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 that the Council's procedures, control systems and policies are maintained.
- (iii) The duties of the Clerk/Responsible Financial Officer are laid down in a job description which is reviewed as and when necessary.
- (iv) The Responsible Financial Officer submits all the requested information to the External Auditor by the required date.

4. Conduct of the Audit

- 4.1 An independent internal auditor is appointed and carries out such checks as are needed to satisfy themselves that the internal controls are adequate and working (See appendix 1).
- 4.2 The effectiveness of the internal audit is reviewed annually, and the Council agrees to the appointment of the internal auditor. The auditor, who is competent and independent (See appendix 2), is advised of the scope of the work to be carried out.
- 4.3 The report and any recommendations of the internal auditor are presented to the Council and agreed actions are monitored to ensure that they have been carried out and auctioned within the agreed timescale.
- 4.4 The Council seeks and receives appropriate property, legal, insurance and health and safety advice to manage risk (See appendix 3).
- 4.5 The conduct of the audit is a matter for the internal auditor. The Council must approve the Annual Governance and Accountability Return (AGAR) before the 30th June.

4.6 Members of the Council can ask for any area of the Council's business to be looked at by the internal auditor during inspection.

APPENDIX 1 – Hartburn Parish Council - Internal Audit Checklist

| INTERNAL CONTROL | TEST | COMMENTS | INITIALS |
|---------------------------|---|----------|----------|
| Proper Bookkeeping | Is the cashbook maintained and up to date? | | |
| | Is the cashbook arithmetic correct? | | |
| | Is the cashbook regularly balanced? | | |
| Standing Orders | | | |
| | Has the Council formally adopted Standing Orders? | | |
| | Has a Responsible Financial Officer been appointed? | | |
| Payment Controls | | | |
| | Are payments in the cashbook supported by invoices etc? | | |
| | Has VAT on payments been identified, recorded and reclaimed? | | |
| | Is s137 expenditure separately recorded and within statutory limits? | | |
| Risk Management | | | |
| | Do the minutes record the Council carrying out an annual risk assessment? | | |
| | Is insurance cover appropriate and adequate? | | |
| | Are internal controls documented and regularly reviewed? | | |
| Budgetary Control | | | |
| | Has the Council prepared an annual budget in support of its precept? | | |
| | Is actual expenditure against budget regularly reported to Council? | | |
| | Are any significant variances explained? | | |
| Income Controls | | | |
| | Is income properly recorded and promptly banked? | | |

| INTERNAL CONTROL Cont.d | TEST | COMMENTS | INITIALS |
|--------------------------------|--|-----------------|-----------------|
| Income Controls Cont.d | Are security controls over cash adequate and effective? | | |
| | Does the precept recorded agree to notification? | | |
| Payroll Controls | | | |
| | Do salaries paid agree to those approved by the Council? | | |
| | Has PAYE/NIC been properly operated as an employer? | | |
| Asset Controls | | | |
| | Does the Council keep an asset register of all assets? | | |
| | Do asset valuations agree to those in the asset register? | | |
| Bank Reconciliation | | | |
| | Is the bank reconciliation carried out regularly on receipt of statements? | | |
| | Are there any unexplained balancing entries? | | |
| Year End Procedures | | | |
| | Are the yearend accounts prepared on the correct accounting basis? | | |
| | Do accounts agree to cashbook? | | |
| | Is there an audit trail from financial records to accounts? | | |
| | Where appropriate have debtors and creditors been properly recorded? | | |

APPENDIX 2 – Hartburn Parish Council – Review of Effectiveness of Internal Audit

1. Scope of Internal Audit – Does the internal audit sufficiently cover all aspects of the financial controls relevant to the Council and is there a policy in place and approved?

2. Independence – is the Internal Auditor independent?

3. Competence – Is the Internal Auditor Competent and do they carry out their work ethically, with integrity and objectively?

4. Relationships – Is the Clerk consulted in the internal audit plan and training undertaken when necessary?

5. Audit Planning and Reporting – Is there a plan in place for when the internal audit will be undertaken and does the plan properly take account of risk?

APPENDIX 3 - Hartburn Parish Council – Risk Assessment of Financial and Non-Financial Internal Audit Controls

| No. | Internal Controls | Risks identified/potential for improvements/current procedure | Action Required |
|-----------|--|---|-----------------|
| 1. | Governance | | |
| 1.1 | <u>Standing Orders</u> | | |
| 1.1.1 | Standing Orders have been adopted setting out the Council's constitution and procedures. They are reviewed at least every four years | | |
| 1.2 | <u>Financial Regulations</u> | | |
| 1.2.1 | The Clerk is the Responsible Financial Officer with the duties detailed in the Financial Regulations. | | |
| 1.2.2 | Financial Regulations have been adopted which set out procedures. They are review at least every four years. | | |
| 1.3 | <u>Assertion 10</u> | | |
| 1.3.1 | The Clerk and Councillors have an email address on a council owned domain name for general correspondence from the public. | | |
| 1.3.2 | The Council ensures its website complies with the Web Content Accessibility Guidelines (WCAG) 2.2 AA. | | |

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| 1.3.3 | The Council publishes and maintains a clear accessibility statement, that outlines any accessibility limitations, how to request alternative formats, and a named contact for accessibility issues. | | |
| 1.3.4 | The Council ensures the website complies with the Public Sector Bodies (Website and Mobile Applications) (No. 2) Accessibility Regulations 2018, where applicable. | | |
| 1.3.5 | The Council adopts and publishes the Information Commissioners Office (ICO) Model Publication Scheme. | | |
| 1.3.6 | The Council publishes information as required by the Transparency Code for Small Authorities (for those with turnover under £25,000). | | |
| 1.3.7 | The Council keeps all financial and governance information up to date and makes it accessible via its website. | | |
| 1.3.8 | The Council has considered its data protection compliance and is sure that it is fully complying with the UK General Data | | |

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| | Protection Regulation (UK GDPR) and the Data Protection Act (DPA) 2018. | | |
| 1.3.9 | The Council is processing personal data with care and in line with the principles of data protection. | | |
| 1.3.10 | The Council has implemented an IT Policy covering: | | |
| 1.3.11 | Use of email and personal devices for official business. | | |
| 1.3.12 | Email, document handling, data storage and security protocols. | | |
| 1.3.13 | Responsibilities of councillors, staff and contractors. The policy provides guidance on cyber security threats such as phishing, and outlines mitigation measures. | | |
| 1.3.14 | The Council reviews the policy annually and shares it with all relevant parties. | | |

| No. | Internal Controls | Risks identified/potential for improvements/current procedure | Action Required |
|---|---|---|-----------------|
| 1.4 1.4.1 1.4.2 1.4.3 1.4.4 | <u>Measures to Prevent Fraud and Corruption</u> The Council has adopted the NALC Model Code of Conduct. All Councillors sign a Declaration of Acceptance of Office on election or co-option. All Councillors complete a Register of Interests and provide updated information as appropriate. Copies are held with the Council and Northumberland County Council. There is an agenda item for Councillor Declarations of Interests on every council agenda. | | |
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| 1.5 1.5.1 | <u>Insurable Risks</u> Employers Liability Insurance (this is the only insurance the Parish Council is required to hold through legislation. | | |

| No. | Internal Controls | Risks identified/potential for improvements/current procedure | Action Required |
|---|---|---|-----------------|
| <p>1.6</p> <p>1.6.1</p> <p>1.6.2</p> <p>1.6.3</p> | <p><u>External Audit Annual Governance Statement Requirements</u></p> <p>Statement of accounts formally approved by Council.</p> <p>Council only does things it has legal power to do and works within appropriate standards and codes of practice which could have a significant effect on the ability of the Council to conduct its business or on its finances.</p> <p>Notice of audit displayed on the 3 Council notice boards to allow electors to inspect accounts as required by The Accounts and Audit Regulations 2015.</p> <p>Appropriate steps are taken to deal with matters raised in reports from Internal and External Auditors through agenda items on Parish Council meeting agenda.</p> | | |

| No. | Internal Controls | Risks identified/potential for improvements/current procedure | Action Required |
|---------------------------|--|---|-----------------|
| 1.7 1.7.1 | <p><u>Proper Booking</u> The cash book is balanced against the bank statements to ensure arithmetically correct when bank statements received.</p> <p>Cash book stored in locked cupboard.</p> <p>Budget/Precept reports are held on the Clerks computer and backed up onto USB flash drive.</p> | | |
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| 1.8 1.8.1 1.8.2 | <p><u>Payment Controls</u> A list of payments is prepared for the Parish Council meeting with the invoices also available for inspections. Councillor approve these payments and this is recorded in the minutes. Payments are made via BACS or cheques which are signed by 2 approved councillors or clerk/councillor.</p> <p>VAT is recorded in a separate column in the cashbook. Annual reclaims are made.</p> | | |

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|---------------------------|---|---|-----------------|
| 1.8.3 | S137 payments are shown in a separate column in the cashbook. | | |
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| 1.9 1.9.1 1.9.2 | <u>Budgetary Controls</u> The Council sets a budget which is approved and recorded in the minutes no later than the January meeting. The Clerk presents a quarterly income and expenditure report to the Council. | | |
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| 2.0 2.0.1 2.0.2 | <u>Income Controls</u> All income is recorded in the cashbook. Northumberland County Council issues a remittance advice which confirms the precept that is paid directly into the Council's bank account. | | |
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| 2.1 2.1.1 2.1.2 | <u>Payroll Controls</u> The Clerk manages the payroll. The Clerk is eligible to be paid travel expenses for any official mileage. | | |

| No. | Internal Controls | Risks identified/potential for improvements/current procedure | Action Required |
|--|---|---|-----------------|
| 2.2 2.2.1 2.2.2 2.2.3 | <u>Asset Controls</u> An asset register with insurance valuation updates annually. The list of assets is maintained and updated during the year, insurance cover extended for new acquisitions when appropriate. Copy presented to Councillors with annual statement of accounts. Insurance provider reviewed from time to time for competitive pricing. | | |
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| 2.3 2.3.1 2.3.2 2.3.3 | <u>Bank Reconciliation</u> The bank account is reconciled by the Clerk. Quarterly bank reconciliations are undertaken by the Clerk and signed off on the bank statements. Any adjustments for interest/bank charges/unpaid cheques are noted in the cashbook if they occur. | | |

| No. | Internal Controls | Risks identified/potential for improvements/current procedure | Action Required |
|--|--|---|-----------------|
| 2.4 2.4.1 2.4.2 2.4.3 | <u>Year End Procedures</u> Accounts are prepared on a payment and receipts basis. Full cross casting of the cashbook is agreed to the final accounts. The Chairman signs the cashbook. An audit trail is provided by recording the minute number and meeting date the payment was agreed. | | |
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| 2.5 2.5.1 | <u>Qualifications of the Clerk</u> The Clerk holds CilCA (Certificate in Local Council Administration) and is a member of the Institute of Local Council Management. | | |
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| 2.6 2.6.1 | <u>Meetings</u> The meeting policy is set out in Standing Orders, notices are provided three clear days before the meeting on noticeboards. Draft minutes are published prior to the next meeting, time is set aside for public participation. | | |

| No. | Internal Controls | Risks identified/potential for improvements/current procedure | Action Required |
|--|--|---|-----------------|
| 2.7 2.7.1 2.7.2 2.7.3 | <u>Communications</u> The Parish Council has a website through the Northumberland Association of Local Councils. Before 1 st April 2026, a new website will be published using Parishes online The Parish Council has an email address that is widely published on noticeboards, emails and websites. Parish Council information is placed on the three noticeboards and updated as and when required. | | |
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| 2.8 2.8.1 | <u>Annual Report</u> Annual Report is completed and published by 30 th June of the following year. It is available to any elector and includes a summary of accounts and the Chairman's overview and is presented at the Parish Council meeting. | | |
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| No. | Internal Controls | Risks identified/potential for improvements/current procedure | Action Required |
|---------------------------|---|---|-----------------|
| 2.9 2.9.1 | <u>Accounts</u> Accounts are prepared in accordance with statutory requirements, approved within three months of the accounting date and published within six months. | | |
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| 3.0 3.1 | <u>Clerk's Contract</u> The Parish Council has adopted the national Association of Local Council's terms and conditions and contract of employment. | | |
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| 3.1 3.1.1 | <u>Training</u> The Council has evaluated and identified training needs for staff and members. | | |
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| 3.2 3.2.1 3.2.2 | <u>General Power of Competence</u> Two thirds of vacancies filled at last election. Clerk is CilCA qualified and has passed unit 7 – General Power of Competence. | | |