

18.3 explain a council's arrangements for internal control

Hilton Parish Council does not have a separate internal control policy and the following points are extracts from Hilton Parish Council's Financial Regulations, which are based on the NALC model financial regulations 2019 for England.

3.1. The RFO must each year, by no later than October, prepare detailed estimates of all receipts and payments including the use of reserves and all sources of funding for the following financial year in the form of a **budget** to be considered by the finance committee and the council.

Commented [NW1]: The budget is prepared by the RFO before being reviewed by the Finance Committee. It is then presented to the full Council for approval and used for the setting of the precept by full Council.

11.1h) When it is to enter into a contract of less than £25,000 in value for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services as are excepted as set out in paragraph (a) the Clerk or RFO shall obtain 3 **quotations** (priced descriptions of the proposed supply); where the value is below £1,000 and above £100 the Clerk or RFO shall strive to obtain 3 estimates. Otherwise, Regulation 10.3 above shall apply.

Commented [NW2]: The RFO obtains 3 quotations to ensure that the Council achieves value for money.

4.1. Expenditure on revenue items may be **authorised** up to the amounts included for that class of expenditure in the approved budget. This authority is to be determined by:

Commented [NW3]: No payment can be made or order placed unless it has been authorised in accordance with the financial regulations.

- the council for all items over £200.01;
- the Clerk, in conjunction with Chairman of Council, for any items below £200.

Such authority is to be evidenced by a minute or by an authorisation slip duly signed by the Clerk, and where necessary also by the appropriate Chairman.

Contracts may not be disaggregated to avoid controls imposed by these regulations.

5.1. The council's banking arrangements, including the bank mandate, shall be made by the RFO and approved by the **council**; banking arrangements may not be delegated to a committee. They shall be regularly reviewed for safety and efficiency.

Commented [NW4]: When the Council transferred from Barclays to Unity Trust Bank, whilst the Finance Committee advised on the matter, the resolution had to be from the full Council.

5.2. The RFO shall prepare a **schedule of payments** requiring authorisation, forming part of the Agenda for the Meeting and, together with the relevant invoices, present the schedule to council. The council shall review the schedule for compliance and, having satisfied itself shall authorise payment by a resolution of the council. The approved schedule shall be ruled off and initialled by the Chairman of the Meeting. A detailed list of all payments shall be disclosed within or as an attachment to the minutes of the meeting at which payment was authorised. Personal payments (including salaries, wages, expenses and any payment made in relation to the termination of a contract of employment) may be summarised to remove public access to any personal information.

Commented [NW5]: As RFO, I check all invoices and prepare a payment schedule which is included on the agenda. The Council receive copies of each invoice so that they can review the schedule prior to authorising payment.

5.3. All invoices for payment shall be examined, verified and certified by the RFO to confirm that the work, goods or services to which each invoice relates has been received, carried out, examined and represents expenditure previously approved by the council.

5.4. The RFO shall examine invoices for arithmetical accuracy and analyse them to the appropriate expenditure heading. The RFO shall take all steps to pay all invoices submitted, and which are in order, at the next available council meeting.

5.6. For each financial year the Clerk and RFO shall draw up a list of due payments which arise on a regular basis as the result of a continuing contract, statutory duty, or obligation (such as but not exclusively) Salaries, PAYE and NI, Superannuation Fund and regular maintenance contracts and the like for which council may authorise payment for the year provided that the requirements of regulation 4.1 (Budgetary Controls) are adhered to, provided also that a list of such payments shall be submitted to the next appropriate meeting of council.

5.7. A record of regular payments made under 5.6 above shall be drawn up and be signed by two members on each and every occasion when payment is authorised - thus controlling the risk of duplicated payments being authorised and / or made.

6.1. The council will make safe and efficient arrangements for the making of its payments.

6.2. Following authorisation under Financial Regulation 5 above, the council, a duly delegated committee or, if so delegated, the Clerk or RFO shall give instruction that a payment shall be made.

6.3. All payments shall be affected by cheque or other instructions to the council's bankers, or otherwise, in accordance with a resolution of council.

6.4. Cheques or orders for payment drawn on the bank account in accordance with the schedule as presented to council or committee shall be signed by two members of council in accordance with a resolution instructing that payment. A member who is a bank signatory, having a connection by virtue of family or business relationships with the beneficiary of a payment, should not, under normal circumstances, be a signatory to the payment in question.

4.8. The RFO shall regularly provide the council with a statement of receipts and payments to date under each head of the budgets, comparing actual expenditure to the appropriate date against that planned as shown in the budget. These statements are to be prepared at least at the end of each financial quarter and shall show explanations of material variances. For this purpose, "material" shall be in excess of 15% of the budget.

2.2. On a regular basis, at least once in each quarter, and at each financial year end, a member other than the Chairman shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original

Commented [NW6]: The payments that the Council make by direct debit or standing order are agreed at the annual meeting of the council.

Commented [NW7]: The regular payments are included on the schedule of payments for the agenda but marked at direct debit or standing order as appropriate.

Commented [NW8]: Hilton Parish Council have accounts with Unity Trust Bank, with triple authority. In practice, this means that the RFO submits the agreed payments to Unity Trust Bank, which then must be authorised by two Councillors.

Commented [NW9]: The RFO submits the payment to Unity Trust Bank

Commented [NW10]: Hilton Parish Council has resolved to make all payments via online banking, where possible.

Commented [NW11]: Two Councillors, drawn from the Finance Committee, must authorise the payment on Unity Trust Bank.

Commented [NW12]: The Council regularly reviews the budget analysis to ensure that there is control over the budgetary spend.

Commented [NW13]: This ensures that the information supplied by the RFO is accurate and reduces the risk of fraud.

bank statements (or similar document) as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the council.

2.4. The council shall ensure 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. Any officer or member of the council shall make available such documents and records as appear to the council to be necessary for the purpose of the audit and shall, as directed by the council, supply the RFO, internal auditor, or external auditor with such information and explanation as the council considers necessary for that purpose.

2.5. The internal auditor shall be appointed by and shall carry out the work in relation to internal controls required by the council in accordance with proper practices.

Commented [NW14]: The Internal Auditor must be an independent and competent person as detailing in the Joint Panel on Accountability and Governance Practitioners' Guide.