

Feckenham Parish Council

# Internal Financial Control Policy

## 1. Purpose of this Policy

This policy sets out the systems and procedures the Council has in place to ensure good financial governance and to safeguard public funds.

Under **Regulation 5 of the Accounts and Audit Regulations 2015**, the Council must keep a sound system of internal control. These controls ensure:

- All income due is received and banked promptly;
- All expenditure is lawful and properly authorised;
- Proper accounting records are kept;
- Bank reconciliations are carried out regularly;
- Expenditure is checked against the approved budget;
- Public money is used economically, efficiently, and effectively.

Governance requirements are further explained in **Governance and Accountability for Smaller Authorities in England – A Practitioners' Guide** (Joint Panel on Accountability and Governance).

## 2. Roles and Responsibilities

### 2.1 Full Council

The Council as a corporate body is responsible for:

- Approving the annual budget and precept;
- Approving this policy;
- Reviewing the effectiveness of internal controls annually;
- Receiving and reviewing monthly financial reports;
- Appointing an Independent Internal Auditor;
- Approving the Annual Governance and Accountability Return (AGAR).

### 2.2 Clerk and Responsible Financial Officer (RFO)

The Clerk is appointed as the **Responsible Financial Officer (RFO)** under Section 151 of the Local Government Act 1972.

The RFO is responsible for:

- Maintaining proper accounting records;
- Administering the Council's financial affairs;
- Ensuring compliance with the Accounts and Audit Regulations 2015;

Adopted 5<sup>th</sup> March 26

- Preparing and processing payments;
- Preparing monthly financial reports;
- Completing monthly bank reconciliations;
- Maintaining the Council's accounting system (Scribe).

The Clerk/RFO may authorise online payments **in conjunction with one authorised councillor**, in accordance with the bank mandate.

The Clerk must not authorise or approve her own salary or expense payments.

### 3. Segregation of Duties

The Council recognises that, as a small authority, complete segregation of duties is not always possible. However, compensating controls are in place:

- The Clerk prepares payments.
- Online payments require dual authorisation.
- Cheques require two councillor signatures.
- The Clerk does not authorise or sign her own payments.
- A councillor who is not a bank signatory conducts independent internal control checks.

## 4. Payment Procedures

### 4.1 Receipt and Verification of Invoices

Upon receipt of an invoice or payment request:

1. The Clerk verifies:
  - Goods/services have been received;
  - The invoice is correct;
  - The expenditure was authorised by Council minute or delegated authority;
  - The expenditure is within the approved budget.
2. The invoice is entered into Scribe and marked "awaiting authorisation."

### 4.2 Payments Between Meetings

Where payment is needed between meetings:

- The Clerk confirms authority via Council minutes or approved delegation;
- The invoice is copied to one of the three authorised councillor signatories;
- The payment is entered into Scribe;
- The payment is set up on the Council's online banking system;
- The payment is authorised by the Clerk/RFO **and one authorised councillor**, except where the payment relates to the Clerk (see below).

All such payments are reported to the next available Council meeting.

#### **4.3 Online Banking Controls**

- Payments are prepared by the Clerk/RFO.
- Dual authorisation is needed.
- Authorisation is completed by:
  - The Clerk/RFO **and**
  - One authorised councillor.

For payments to the Clerk (salary or expenses):

- Two councillors must complete authorisation;
- The Clerk does not authorise or approve her own payments.

Access to banking credentials is individual and secure. Changes to bank mandates require formal Council approval.

#### **4.4 Cheque Payments**

Where cheque payments are used:

- Two authorised councillors must sign cheques;
- Signatories verify supporting documentation before signing;
- The Clerk does not sign her own payments;
- Cheques are not pre-signed.

### **5. Financial Reporting**

The RFO presents a monthly report to Full Council including:

- Income received;
- Payments made;
- Current bank balance;
- Budget monitoring information.

Bank reconciliations are completed monthly and uploaded with meeting agendas.

### **6. Bank Reconciliation**

In accordance with Regulation 6 of the Accounts and Audit Regulations 2015:

- The Clerk completes monthly reconciliations of all bank accounts;
- Reconciliations are presented to Council;
- A councillor who is not a signatory reviews bank statements, invoices, cheques, and Scribe records periodically and reports findings to Council.

## **7. Internal Control Checks**

An Internal Control Councillor is appointed annually at the Annual Meeting of the Parish Council.

This councillor:

- Is not a principal bank signatory;
- Conducts sample checks during the year (July, November, and March);
- Reviews at least three payments and three receipts each period;
- Reports findings to Full Council.

Checks include verification that:

- Payments were properly authorised;
- Supporting documentation exists;
- Receipts were banked promptly;
- Entries match accounting records.

## **8. Independent Internal Audit**

The Council appoints an Independent Internal Auditor annually in accordance with Regulation 5 of the Accounts and Audit Regulations 2015.

The Internal Auditor:

- Reviews the effectiveness of internal controls;
- Inspects records after 31 March;
- Provides a written report to Council;
- Informs completion of the Annual Governance Statement within the AGAR.

## **9. Annual Review of Effectiveness**

Prior to approval of the AGAR each year, the Council formally reviews the effectiveness of its system of internal control and records this in the minutes.

This policy will be reviewed annually or earlier if legislation or operational requirements change.

**Adopted:**

**Review Date:**