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## **Lawford Parish Council Internal Control Procedures**

### **Scope of Responsibility**

Lawford Parish Council is a local authority funded mainly by public money and is responsible for ensuring its financial business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

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.

### **The Purpose of the System of Internal Controls**

The Council's system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure. It cannot provide an absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to policies, aims and objectives, to evaluate the likelihood of those risks being realised, and the impact should they be realised, and to manage them effectively and economically.

Internal controls include the checking of routine financial procedures, examination of financial comparisons and the recording of assets and liabilities. It will also include identification and evaluation of risks, to enable risk to be managed efficiently, effectively and economically.

### **The Internal Control Environment**

The Council have adopted Financial Regulations which set parameters for the Council's financial operations. These are reviewed and approved at the Council's Annual Meeting in May each year. The Council also carries out an annual review of identified key risks and how they are addressed via agreed internal control procedures.

### **The Council is responsible for:**

- Establishing and monitoring the achievements of the authority's objectives.
- The facilitation of policy and decision making.
- Ensuring compliance with established policies, procedures, laws and regulations.
- Identification and management of risk.
- Ensuring that best value and value for money are achieved in all purchases.
- Ensuring performance is regularly monitored against financial and operational budgets.
- Control and reports on the financial management of the Council.

### **The Clerk to the Council/RFO is responsible for:**

- Administering the Council's finances.
- Ensuring day to day compliance with the law and regulations that the Council is subject to and for managing risks.



- Ensuring that the Council's procedures, control systems and policies are adhered to.
- Ensuring adequate audit processes are in place.

## **Payments and Financial Reports:**

Payments are reported at monthly Full Council meetings and minuted accordingly.

Two authorised bank signatories must authorise every payment after review of the accompanying invoice and sign the invoice/paperwork. Most payments are then made electronically via online banking. The clerk, as the appointed Service Administrator, sets up the online payment which is then checked and authorised by an authorised bank signatory.

Payments made via cheque requires two authorised signatories to sign the cheque and initial the cheque stub.

The Council is also provided with a monthly bank reconciliation (accompanied by month end bank statements), which has to be reviewed and approved by the Council, a financial summary of income and expenses and earmarked reserves.

## **Administration Committee**

The Administration Committee, comprising of five parish council members, meets at least three times per year to monitor the current year's accounts and budget, to set recommendations for the following year's budget and precept to full council, and to review year end accounts. Any Administration Committee recommendations are ratified by Full Council at the following Parish Council meeting and resolutions minuted accordingly.

## **Nominated Council Internal Control Officer:**

The cash books (payments and receipts) and bank reconciliations are reviewed by a nominated member of the Parish Council, with reference to the underlying records (bank statements and minutes plus copies of invoices) at least biannually.

## **Internal Audit:**

The council has appointed an Independent Internal Auditor who reports to the Council on the adequacy of its:

- Records, procedures and systems
- Book-keeping and bank reconciliations
- Financial regulations and standing Orders
- Budgetary controls
- Asset management
- Payment controls
- Risk management
- Statutory / regulatory compliance
- Regular reviews of the effectiveness of internal control.

## **External Audit:**

The Council's External Auditors, appointed by the Smaller Authorities Audit Appointments Ltd (SAAA), carry out an annual review and submit an External Auditors Report, which is reported to the Council.



## **Review of Effectiveness:**

The Council is responsible for conducting an annual review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of:

- The Administration Committee.
- The Clerk to the Council/RFO who has the responsibility for the development and maintenance of the internal control environment and managing risks.
- The independent Internal Auditor who reviews the Council's system of internal control.
- The External Auditor, who makes the final check using the Annual Return and issues an annual audit report (part 3 of the Annual Governance and Accountability Return).
- The number of significant issues that are raised during the year.

Any concerns about the effectiveness of the system of internal control are investigated and action taken as appropriate.

## **List of Internal Control Procedures:**

### **Cash Book/Bank reconciliations**

- The cash book is kept electronically within a database, maintained up to date from original documents (cash received, invoices, payments made and cheques as they are prepared).
- The cash book is reconciled to the bank statement monthly.
- Reconciled accounts are presented at each Parish Council meeting for reference and the bank reconciliation approved by the Council.
- The cash books, payments and receipts, and bank reconciliation are reviewed by a member of the Parish Council, with reference to the underlying records (bank statements and minutes plus copies of accounts papers etc) at least biannually.
- The latest financial position and movements on the Parish Council's cash balances are reported at each council meeting.
- An appointed Administration Committee carry out detailed reviews of the accounts three times per year.
- An internal audit provided by an externally appointed party is carried out annually.

### **Financial Regulations & Standing Orders**

- The Parish Council has adopted financial regulations and standing orders, based on the model versions prepared by NALC/SLCC.
- The regulations and orders are reviewed for continued relevance at least annually and amended where necessary by the Responsible Financial Officer with any proposed amendments subject to approval by the Parish Council.

### **Order/Tender controls**

- The Financial Regulations list the number of estimates, quotes or full tenders that must be invited depending on the value and nature of the work.



## **Payment controls**

- The RFO checks 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 wherever possible.
- All invoices for payment are listed on the report tabled at a meeting where the expenditure is to be authorised for payment.
- Payments made are included in the minutes of the meeting.
- Original invoices are available for Councillors to check and sign and authorise the payments.
- Cheques will be signed by two councillors, who are authorised to sign on the Council's bank mandate. Electronic payments will be authorised by two signatories prior to payments being made, set up by the Clerk as the Service Administrator and authorised online by a signatory.
- The RFO is authorised to transfer funds from one account to another.
- The RFO maintains control of the cheque book at all times.
- Cheques will only be issued and electronic payments will only be made when approved at Council meetings except for special circumstances as outlined in the Financial Regulations.

## **Payments made under section 137 of the 1972 LGA**

- The RFO calculates the maximum amount of s137 expenditure able to be made each year and ensures that it is not exceeded.
- Where requests for expenditure from s137 are made this is made clear at the meeting where the payment is to be approved.
- The proper minute authorising expenditure from s137 is prepared on each occasion.
- S137 payments are identifiable in the accounts.

## **VAT repayment claims**

- RFO ensures that all invoices are addressed to the Parish Council.
- RFO ensures that proper VAT invoices are received where VAT is payable.
- RFO maintains a VAT account to show that the correct amount of VAT is reclaimed in the year.

## **Income controls**

- RFO ensures that amount of the precept received is correct in accordance with the precept request sent to the District Council.
- RFO ensures that the precept instalments are received when due.
- RFO ensures that other receipts are received when due and correctly calculated.
- Income is banked promptly.



## **Budgetary controls**

- The budget is prepared in consultation with the Administration Committee and recommended to Full Council for review/ approval, as evidenced by reports and minutes in advance of the start of the year.
- The precept is set on the basis of the budget by the deadline set by Tendring District Council.
- The budget is reviewed three times per year by the appointed Administration Committee.
- Budgetary overspends are usually covered by general reserves which are monitored quarterly and budgeted for annually.

## **Payroll controls**

- The clerk's contract is prepared by the Administration Committee and agreed by the Full Council and reviewed and amended whenever necessary.
- The clerk is paid under PAYE as an employee and the necessary system for HMRC RTI is in place.
- The clerk's salary is recommended by the Administration Committee to Full Council for approval and a minute is prepared to show the agreed salary. The salaries are paid by electronic payment on a monthly basis.
- The RFO will ensure that all the necessary payroll returns are made to HMRC and will retain evidence that this has been done.

## **Office and clerk's expenses**

- The clerk submits a request for reimbursement of monies owing in advance of each meeting.
- The expenses cover any out-of-pocket expenses as well as motoring expenses as laid down by joint SLCC/NALC guidelines.
- Expenses are paid by electronic transfer.

## **Asset Control**

- The RFO maintains a full asset register which is reviewed annually by the Council.
- The adequacy of insurance of the Parish Council's assets is considered annually in advance of the insurance renewal.
- Risk assessments are carried out with varying intervals depending on the asset in question. The Council's risk management scheme is reviewed and approved annually by the Council.

## **Policy Implementation Notice**

This is the policy statement of: **Lawford Parish Council**

The overall and final responsibility for this policy is that of: **Parish Councillors**

Approved by **Full Council**: Monday 21<sup>st</sup> July 2025

Day-to-day responsibility for ensuring this policy is put into practice is delegated to: **The Parish Clerk**

Policy review date: July 2026