



# Heybridge Parish Council

## System of Internal Control

(incorporating internal financial and accounting procedures)

### **1. Appointment of Officers and Administrative Arrangements**

- 1.1 The Clerk to the Council is also appointed as the Proper Officer for the several purposes as defined in the Local Government Act 1972 and is also appointed as the Council's Responsible Financial Officer (RFO).
- 1.2 Such other Officers and contracted support staff appointed to assist with the administration of the Council will report to and work under the direction and authority of the Clerk. The Council has engaged the support services of a contractor financial services support officer ("the Contractor") whose respective core duties in relation to financial matters are appended to this document.

### **2. Governance Arrangements**

- 2.1 The Council is the sovereign body for dealing with the consideration and approval of all financial matters. Subject to that, the Council will make and keep under review Financial Regulations and may include within its Standing Orders particular provisions relating to contracts. The Council's System of Internal Control is ancillary to and underpins Financial Regulations and Standing Orders.
- 2.2 Under approved delegation arrangements, the Clerk and Chairman of Environment and Resources Committee are responsible for the day to day management of all land and property under the Council's control.
- 2.3 The Council will appoint a Budget Committee of its members for the purposes of reviewing and reporting to the Council on estimates and budgetary control. The Committee may also be asked to keep under review and report on the Council's system of internal controls.
- 2.4 The Council is required to appoint an independent Internal Auditor. An annual work programme for the Internal Auditor will be agreed by the Budget Committee, and the Internal Auditor will provide a certificate to be

submitted with the Statement of Accounts and Annual Return as part of the annual external Audit of Accounts.

### **3. Financial and Accounting Procedures**

*The following principles shall be observed in connection with accounting duties:*

*(a) The duty of providing information, calculating, checking and recording sums due to, or from, the Council should be separated as completely as possible from the duty of collecting or dispersing them.*

*(b) Officers charged with the duty of examining and checking the accounts of cash transactions should not be engaged in any of those transactions.*

Due to the limited number of administration staff it is not always possible to adhere to the above principles but the internal auditor will focus on this as part of annual work programme.

#### **3.1 Petty Cash**

3.1.1 Operated on the basis of an imprest system, cash is available for allocation to the Clerk, and the Contractor for the reimbursement of incidental office expenses (e.g. postages) and small purchases. Financial Regulations provide for an annual limit of £750 to be available for petty cash purposes, beyond which the separate approval of the Parish Council is required. The Clerk is provided with £250 and the Contractor is provided with £50 at a time. Both are required to maintain a petty cash record of expenditure, and retain appropriate receipts. When that allowance is nearing exhaustion, the Contractor will upon request top up the cash in hand. Where applicable, VAT should be recorded and accounted for, and all VAT will be reclaimed by the Contractor, retaining all receipts on file.

#### **3.2 Cheque Signatories**

3.2.1 Financial Regulations require that any two Members' signatures are required on cheques issued on the Parish Council's accounts. Members will be asked to provide specimen signatures on a formal list to be held as a Parish Council record and also if required by the Parish Council's bankers.

### 3.3 Invoicing

- 3.3.1 Invoicing for Parish Council services relates only to the hire of Plantation Hall and the adjoining King George V Playing Field. These generally fall into two categories – casual and block hirers.
- 3.3.2 Block hirers are sent booking forms at the beginning of the third month of each quarter on the basis of anticipated and continued use. These are returnable within four weeks to the Clerk who will provide copies for the Contractor as well as weekly hiring records showing actual use, and the Contractor will make any required adjustments before invoicing. The Contractor will advise the Clerk of the invoice number/reference relative to each booking. The Clerk is required to prompt as necessary, and check with the Contractor that invoices for the correct amount are being prepared for issue during each quarter, and in the absence of the Contractor will undertake that exercise.
- 3.3.3 Casual hirers will normally have been required to pay the total hire fee (plus any deposit) prior to the hire event. The deposit is to be banked upon receipt alongside the hire charge. Unless notified otherwise by the Clerk, the Contractor will prepare deposit refund cheques for signature at the next available Parish Council meeting. The Clerk will consult the Chairman of the Parish Council in deciding, should the circumstances so require, whether a deposit should be withheld, either in whole or in part. Where refund of a deposit is withheld, the facts shall be reported to the next available meeting of the Parish Council.
- 3.3.4 Invoices shall be rendered on the basis of the scale of fees and charges effective at the time. The Parish Council will review these annually before the start of the next financial year. The Clerk shall undertake the periodic checking of the accuracy of invoices prepared by the Contractor.
- 3.3.5 All invoices shall bear reference to payment terms of 30 days.

### 3.4 Cash and Cheque Handling/Security

- 3.4.1 The Clerk will receive payments either in person at Plantation Hall or through the post. No person other than the Clerk is authorised to receive cash from hirers. Upon the receipt of cash in person, a receipt will be issued. All cash and cheques shall be kept safely in a locked container and shall be passed periodically (at least once a week) to the Contractor for banking. Transfers of such cash and cheques shall be accompanied by a schedule form (**copy attached as Appendix 1**) of how that income is constituted and signed by both the Clerk and the Contractor, and then copies held as records by both persons.

### 3.5 Salaries and other Staff Payments

3.5.1 Salaries and other staff payments shall be made by no later than the last day of each month (by either cheque or BACS). Payments shall be paid on the basis of information agreed and reviewed from time to time by the Parish Council, and notified to the Contractor by the Clerk. This information will confirm the actual amounts of the salaries and wages to be paid rather than left to interpretation or related to percentage increases. Supplementary payments for additional duties beyond the core duties of caretaking/cleaning staff shall be made on the basis of weekly schedules prepared and endorsed by the Clerk. Any timesheets requested of staff shall be countersigned by the Clerk.

3.5.2 The monthly HMRC summary sheet stating employee name and salary will be checked and signed by the RFO. A cumulative summary at end of month 12 will be signed by the RFO and Chairman or Vice-Chairman.

### 3.6 Budgetary Control

3.6.1 The Clerk (RFO) will ensure that all accounts certified for payment are endorsed with the correct expenditure code, and that this information appears on both the agenda for (payments schedule) and Minutes of meetings where payment of accounts are approved.

3.6.2 The Contractor will provide a statement of accounts (Income and Expenditure) to date for circulation at each Parish Council meeting. Further updated statements may from time to time be requested for consideration at a Budget Committee meeting monitoring budgetary control and preparing estimates. The statement of accounts will be accompanied by commitment sheets for each budget head showing the true amount available (or overspent as the case may be).

3.6.3 The Contractor will also produce to the Clerk (RFO) at least every two months reconciliation statements of the Parish Council's accounts taken from the information contained in the cash book, supplemented by actual extracts from the cash book together with copies of the relevant bank statements. This information will be passed for independent verification by either a Member of the Parish Council or the Internal Auditor, who will confirm such verification to the Parish Council.

3.6.4 The Budget Committee as constituted by the Parish Council will meet in December and January for the purposes of budgetary control review and the preparation of estimates for presentation to the January Parish Council meeting. At that meeting, the Parish Council will approve such estimates,

and determine its budget requirement and consequent precept for the next financial year.

- 3.6.5 At or around the end of a financial year, it must be made clear to the Parish Council in which financial year an account payable falls. This will be made clear on the agenda (payments schedule), endorsed on the account itself, and confirmed in the relevant Minute.

### 3.7 Procurement

- 3.7.1 Financial Regulations provide a framework and set procedures for dealing with contracts of certain values. Working beneath that framework, provision needs to be made for the day to day operational work of the Parish Council to be administered, and to that end the Clerk is entitled to use petty cash for small purchases. The Clerk is authorised to issue orders for essential office and cleaning/caretaking supplies to support the Parish Council's administration and the operation of the Plantation Hall facility.
- 3.7.2 Financial Regulations require that for contracts of a value exceeding £25,000, tenders from at least three firms must be invited. For expenditures of £25,000 or less, and unless the Council directs other wise, three quotations are required. Subject to those considerations, the Parish Council agrees that for any work, goods or services up to a value of £1,000, the Clerk in consultation with the Chairman of the Council or Chairman of a Committee with delegated powers, shall have executive power. Even though competitive tendering would not be required, the obtaining of alternative quotations may remain desirable. In some cases however, alternative prices or estimates may be pursued and compared before an official order is placed.
- 3.7.3 The Clerk may incur expenditure on behalf of the Council which is necessary for the purposes of any repair, replacement or other work of an **urgent** nature, whether or not budgetary provision exists for such expenditure, up to a limit of £1,000. The Clerk shall report the action to the Council at the next available meeting.

### 4.0 Reviewing the effectiveness of the System of Internal Control

- 4.1 The Council is responsible for conducting, at least annually, a review of the effectiveness of the system of internal control. This role will be initiated by the Budget Committee and incorporated within the annual work programme of the Council's Internal Auditor. The findings of the annual review shall be reported to and considered by the Council.

## **5.0 Status**

Revised January 2014. Present to Council for adoption on 20<sup>th</sup> February 2014. Adopted on 20<sup>th</sup> March 2014. Reviewed May 2016. Reviewed and agreed 18 May 2017.

**Core Duties – Contractor (Financial Services)**Weekly

Bank all income receipts and enter in cash book  
 Enter payment transaction in cash book allowing for VAT where applicable  
 Check all hire bookings have been paid or invoiced – liaise with Clerk  
 Monitor bank account balances on current and deposit account effecting transfers between accounts where necessary

Monthly

Raise cheques for Hall Hire refundable deposits  
 Complete monthly payroll:

Raise BACS payments and enter in cash book  
 Complete payslips and submit all relevant HMRC documentation relating to payroll

Complete monthly pension contribution return and forward to Essex County Council and e.mail any starter/hour change/leaver information  
 Complete monthly statement of accounts for Parish Council meeting  
 Update all transactions on commitment records and copy to Clerk/RFO  
 Reconcile cash book to bank statements and copy evidence to Clerk/RFO for independent checking

Quarterly

Invoice all block hirers for use of Plantation Hall  
 Reconcile petty cash accounts  
 Complete VAT return and send to HMRC  
 Brief Internal Auditor as required

Annually

Attend meetings/brief Clerk/RFO as required  
 Complete all year end accounts:  
   Income and expenditure  
   Balance sheet  
   List of debtors and creditors  
   List of section 137 payments  
   Any additional information required for Annual Return  
 Complete year end PAYE:  
   Issue P60s to all staff

Complete Pension Contribution Return and send to Essex County Council  
 Attend meetings as required by Internal and External Auditor

### **Core duties of the Clerk in relation to Financial Services**

Production and distribution of hiring contracts (booking forms) to block and casual hirers

Inform Contractor of any changes in the requirements of hirers of Plantation Hall and King George V Playing Field, including cancellations

Receipt of all fees and deposits relating to the hire of Plantation Hall and King George V Playing Field

Issuing receipts for cash, and passing all cash/cheques received to the Contractor for banking at least once a week

Ordering of cleaning and other essential supplies and equipment required for the day to day running and maintenance of the Plantation Hall premises

Production and display of weekly caretaking schedule – advise Contractor monthly of core duties/additional hours for payroll purposes

## Heybridge Parish Council - Reserve Policy

### 1. Background

1.1 The finance reserves allow a Parish Council to continue to operate normally if for any reason the precept was not available. The reserve should be the target rather than mandatory.

1.2 In keeping with Financial Regulations, it is necessary to set a realistic goal for finance reserves.

1.3 When the precept was £95,000 for a period of years, it was a struggle to keep reserves down. However, this is no longer an issue now that the precept has been increased.

### 2. Reserve Target

2.1 It is considered that reserves should be equal to 6 months precept (50%.) The reserves shall never fall below 3 months precept (25%.)

### 3. Flexibility

3.1 The reserve may be less than 50% if full Council approve such reduction in order to achieve a specific aim.

3.2 Should the Council allow for the reserves to be less than 50%, then the reserve shall be restored within two full years after the current financial year.

### 4. Status

4.1 This policy is to be appended to the System of Internal Controls and will be subject to periodic review.

4.2 To be considered for adoption at the full Council meeting to be held on the 15<sup>th</sup> December 2014. Adopted.