

LITTLE OAKLEY PARISH COUNCIL

INTERNAL CONTROL POLICY

Adopted 11th March 2026 (Minute Number 25/135)

Next Finance Committee Review Date May 2026

Purpose and Scope

A system of internal control is a framework of policies, procedures, and checks designed to manage financial risks, ensure legal compliance, and safeguard public money. It involves separation of duties, regular bank reconciliations, authorised payments, and annual reviews of effectiveness, often managed by the Clerk/Responsible Financial Officer (RFO) and overseen by Councillors.

Key elements of the parish council's internal control system include:

- **Risk Management:** Identifying and managing risks to policies, aims, and objectives.

- **Financial Controls:**
 - **Bank Reconciliations:** Monthly checks of all cashbook accounts.
 - **Payment Authorisation:** Two authorised signatories must approve payments, usually matching invoices.
 - **Income & Expenditure:** Ensuring all income is received and expenses are properly authorised.
 - **Asset Recording:** Regular recording of assets and liabilities.

- **Operational Controls:**
 - **Separation of Duties:** Ensuring no single person has control over all aspects of a transaction.
 - **Internal Audit:** An independent, competent internal auditor checks the adequacy of controls.
 - **Policies & Procedures:** Following Standing Orders and Financial Regulations.

- **Member Review:** Councillors conduct regular reviews of the system to ensure it is operating effectively.

These controls ensure that council activities are carried out properly, legally, and economically.

Financial Controls

- **Banking & Payments:** No cash is kept. Payments are approved at meetings checking payments listing against invoices. Online payments require independent authorisation.
- **Signatories:** The Clerk is not a bank signatory and is only authorised to set up payments for authorisation by designated signatory. Three signatories are

appointed to ensure availability at all times. No signatory is permitted to authorised expenditure for a close personal contact (i.e. family member). Signatories are regularly reviewed (usually annually).

- **Bank Reconciliation:** Completed monthly by the RFO and verified by a designated Councillor (independent of the payment process).
- **Budgetary Control:** Actual expenditure vs. budget is reported regularly.
- **Income (Precept):** Recorded promptly and in accordance with Financial Regulations.
- **VAT:** Reclaimed regularly (usually quarterly).

Risk Management

- Annual review of risk management arrangements and assessments.
- Asset Register is updated annually or as assets are acquired or disposed of.

Operational Controls

- **Internal Audit:** An Internal Auditor who meets requirements for competence and independence is appointed annually. A scope of work is agreed.
- **Separation of Duties:** The Clerk/RFO is the only employee and as such a non-signatory checks procedure regularly (usually quarterly), checking bank reconciliations, statements and financial reports against invoices and payments.
- **Policies and Procedures:** The Council regularly reviews and updates its Financial Regulations and Standing Orders to ensure compliance.

Review

A review of the effectiveness of the council's system of internal control will be conducted annually by the Finance Committee. The Council will consider the findings prior to the approval of the Annual Governance Statement (AGS).