

# Mudford Parish Council

## Internal Controls Policy

### 1. Introduction

Mudford Parish Council, in accordance with Regulation 5(1) of the Accounts and Audit Regulations 2015, conducts an annual review of the effectiveness of its internal control systems. This review is necessary to support the assertions made in Section 1 (point 2) of the Annual Governance and Accountability Return (AGAR), confirming that “an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, has been maintained and reviewed.”

Given the Council’s modest scale (annual income and expenditure below £200,000), this policy is proportionate to its operations and risk exposure.

### 2. Purpose and Scope

The aim of this policy is to outline how the Council ensures the integrity of its financial and governance processes. It sets out the responsibilities and practices in place to safeguard public funds, promote compliance with legal and regulatory obligations, and ensure efficient and effective use of resources. Internal control mechanisms are intended to manage, not eliminate, risks to a reasonable level.

### 3. Internal Control Arrangements

- Clerk & RFO: The Council employs a Clerk who also acts as the Responsible Financial Officer (RFO), overseeing day-to-day financial management.
- Governing Documents: The Council adopts and regularly reviews key governance documents, including its Standing Orders, Financial Regulations, and a Members’ Code of Conduct.
- Risk Management: An annual Financial and Management Risk Assessment is conducted and approved by the Council. The Council also reviews its Asset Register annually for accuracy and completeness.
- Audit:
  - An internal audit is carried out annually by an independent auditor.
  - The external audit is conducted by PKF Littlejohn LLP.
- Financial Safeguards:
  - A nominated councillor checks the cashbook against invoices at least six times a year and not exceeding a three-month interval.
  - Two councillors review all invoices prior to payment.
  - Two councillors authorise all payments. ‘*Payments to Note*’ and ‘*Payment*

*Schedule*' documents are checked against invoices and signed by two councillors at each meeting.

- One councillor independently reviews and signs off the Clerk's payroll.
- Payroll is processed by an external payroll company to ensure accuracy and compliance.
- Monthly bank reconciliations are reviewed by the Council during Council's ordinary meetings.
- Financial records are maintained using appropriate systems.
- Budget Monitoring:
  - A budget is prepared annually and approved by full Council in January.
  - Regular budget monitoring reports are presented to Council as part of the agenda document.
- Payroll and VAT:
  - The RFO ensures timely payroll submissions, PAYE compliance, and VAT returns submitted at least once a year.
- Grants:
  - Any grants issued by the Council are recorded and monitored according to set procedures.
- Document Control:
  - All Council minutes are sequentially numbered and securely stored.
  - Key documents are safely retained.
- Register of Interests:
  - A Register of Members' Interests is maintained, and declarations of gifts and hospitality are recorded.

#### **4. Internal Audit Terms of Reference**

The internal audit will assess the Council's financial controls and overall governance in line with the "Governance and Accountability for Smaller Authorities in England – A Practitioners' Guide".

- The internal auditor must be independent, with no involvement in the Council's financial administration or decision-making.
- The Council provides the internal auditor with access to all required records and staff.
- A written report is submitted following the audit, highlighting any issues and recommendations for Council action.
- Any additional audit work (beyond the standard review) must be approved by the Council and agreed with the auditor in advance.

**5. Responsibilities**

The full Council is collectively responsible for ensuring compliance with this policy. The Clerk/RFO supports implementation and ensures timely and accurate reporting of financial matters.

The Clerk/RFO prepares an Internal Control Report for each financial year, following the internal audit.

**6. Policy Review**

This policy will be reviewed at least annually to ensure it remains up to date with statutory requirements and best practices.

This policy was adopted by the Council at its meeting on 29<sup>th</sup> May 2025.

This policy was amended by the Council at its meeting on 30<sup>th</sup> October 2025.

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Chair