

## **Draft- Internal Control Policy**

### **1. Introduction**

Lostock Gralam Parish Council (the Council) is a local authority funded primarily through public funds via a precept. It has a duty to ensure that its financial management is lawful, transparent and conducted to proper standards. The Council must also ensure that public money is safeguarded, properly recorded and used effectively, efficiently and economically in delivering community services.

To meet these responsibilities, the Council maintains a sound system of internal control that supports the effective performance of its functions and includes arrangements for identifying and managing risk.

This policy sets out the framework of internal control measures adopted by the Council to comply with the Accounts and Audit Regulations 2015 and to follow best practice as outlined in the Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide (2025 edition).

### **2. Purpose of Internal Controls**

The system of internal controls is designed to manage risk to a reasonable level—it cannot eliminate all risk entirely but seeks to provide assurance that the Council's objectives will be achieved.

Internal controls help the Council to:

- Protect its assets from loss, theft or misuse
- Ensure accurate and complete financial records
- Prevent and detect fraud
- Identify and manage potential risks
- Promote accountability and transparency in decision-making
- Ensure compliance with legislation, Standing Orders and Financial Regulations
- Support efficient and effective use of public resources

### **3. The Internal Control Environment**

The Council's internal control environment comprises the policies, procedures and governance arrangements that collectively ensure sound financial management.

#### *Council Responsibilities*

The Council:

- Adopts and regularly reviews its Financial Regulations and Standing Orders, which set out the framework for managing its financial business
- Considers and approves its objectives and annual budget during the winter meeting each year
- Sets the annual precept after reviewing the approved budget
- Monitors financial performance and reviews budget reports at each Council meeting
- Appoints a nominated Councillor to independently verify and sign off quarterly bank reconciliations
- Reviews its internal control framework, risk management and governance systems at least annually
- Reviews and approves all policies, including those relating to internal controls, risk management and data protection

#### *Clerk / Responsible Financial Officer (RFO)*

The Clerk, who also acts as the Responsible Financial Officer, is appointed under Section 151 of the Local Government Act 1972 to manage the Council's financial affairs. The Clerk/RFO:

- Provides professional advice and administrative support to the Council
- Ensures compliance with relevant legislation, Financial Regulations and internal policies
- Monitors and reports financial performance quarterly
- Maintains accurate accounting records, asset registers and bank reconciliations
- Oversees risk management processes and ensures controls are implemented and followed
- Ensures that VAT is properly accounted for and reclaimed

### *Members (Councillors)*

Councillors collectively have responsibility for ensuring that financial decisions are sound, transparent and compliant. They:

- Authorise and verify payments
- Sign off bank reconciliations
- Declare interests and avoid conflicts of interest in financial decision-making
- Scrutinise financial reports and ensure accountability

### *Internal Auditor*

- The Council appoints an independent and suitably qualified Internal Auditor, currently JDH Business Services, to review the adequacy and effectiveness of its internal controls, financial systems and risk management arrangements
- The Internal Auditor provides a written report annually, which forms part of the Annual Governance and Accountability Return (AGAR)
- Any recommendations are formally considered by the Council, with actions agreed and progress monitored
- The effectiveness of the internal audit process is reviewed annually

### *External Auditor*

- The Council's External Auditor, currently PKF LittleJohn LLP, undertakes a limited assurance review each year
- The External Auditor's Certificate and Report are presented to the Council and made available for public inspection as required by law

## **4. Financial Controls**

### **a) Budgetary Control**

- The Clerk/RFO prepares a detailed annual budget for Council approval
- The budget is monitored throughout the year with variances reported and explained to Council
- Adjustments are approved by Council resolution where necessary

### **b) Payment Controls**

- All payments are authorised in accordance with the Council's Financial Regulations
- Invoices and receipts are checked for accuracy and validity before payment
- Payments are made by BACS, direct debit or standing order
- Online payments are prepared by the Clerk/RFO and authorised by two Councillors
- Delegated payments made under section 101(1)(a) of the Local Government Act 1972 are reported to the next full Council meeting
- Regular or recurring payments are reviewed annually to ensure continued value for money
- A list of payments is presented at each Council meeting for approval and minuting

### **c) Income Controls**

- All income is recorded and banked promptly

- Receipts are issued where appropriate
- VAT is correctly recorded and reclaimed
- Outstanding debts are monitored and reported to Council
- Debts may only be written off with Council approval

#### d) Banking and Reconciliation

- All bank accounts are held in the name of Lostock Gralam Parish Council
- The RFO carries out bank reconciliations monthly
- A Councillor (not a signatory) independently verifies and signs each reconciliation
- Bank statements and reconciliations are retained for audit purposes

#### e) Procurement and Contracts

- The Council follows Standing Order 18 and Financial Regulation 11 when procuring goods and services
- Quotations or tenders are obtained in line with approved thresholds to ensure best value
- Contracts are reviewed periodically to confirm ongoing compliance and value for money
- Procurement decisions are transparent, minuted and free from conflict of interest

### 5. Asset and Risk Controls

- The Council maintains an up-to-date Asset Register, reviewed annually
- All assets are insured under appropriate cover
- The Council conducts annual risk assessments covering financial, operational and governance risks
- Insurance arrangements are reviewed annually for adequacy of cover
- Professional advice is sought when needed on insurance, legal or health and safety matters
- The Council's computer systems are protected by antivirus (McAfee), spyware and firewall software which are regularly updated
- Data backups are stored securely using OneDrive cloud storage and USB drives held in a lockable firesafe

### 6. Reporting and Accountability

- Financial reports are presented to the Council regularly for review
- The Annual Governance Statement and Accounting Statements are reviewed and approved each year before submission to the External Auditor
- All accounts, audit reports and supporting documentation are made available for public inspection in accordance with statutory requirements

### 7. Review of Effectiveness

Lostock Gralam Parish Council is responsible for reviewing the overall effectiveness of its internal control and audit systems. This review is informed by:

- Reports from the Clerk/RFO
- Findings of the Internal Auditor (JDH Business Services)
- The External Auditor's report (PKF LittleJohn LLP)
- Oversight by nominated Councillors conducting independent checks
- Ongoing monitoring by the Council and its committees

Any recommendations made through these processes are considered by the Council, with agreed actions monitored to completion. The internal control framework and this policy are reviewed at least annually, prior to the approval of the Annual Governance and Accountability Return (AGAR).