

**MITFORD
PARISH COUNCIL
INTERNAL CONTROL POLICY**

1. Scope of Responsibility

- 1.1 Mitford Parish Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 1.2 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.
- 1.3 The Accounts and Audit Regulations 2015 require smaller authorities, each financial year to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts.

2. The Purpose of the System of Internal Control

- 2.1 The system of internal control is designed to ensure that the Council's activities are carried out properly and as intended. Internal controls are set up by the Clerk who is the Responsible Financial Officer but the Council members must ensure that they have an understanding of those controls and that they are operated effectively.

3. Personnel Involved with the Internal Control Environment

3.1 The Council:

- (i) The Council has appointed a Chairman who is responsible for the smooth running of meetings and for ensuring all of Council's decisions are lawful. The Chairman signs the minutes at the Council meetings.
- (ii) Decisions are made in accordance with Mitford Parish Council's Standing Orders and Financial Regulations, reviewed and approved annually by the Council.
- (iii) The Council meets 6 times a year and receives a financial statement which it approves at its Council meeting. Payments are made in accordance with Standing Orders and Financial Regulations.
- (iv) The Council reviews its obligations and objectives and approves budgets for the following year no later than December. The Council approves the level of precept for the following financial year no later than December.
- (v) Three members of the Council and the Clerk shall be appointed as signatories.
- (vi) In the case of electronic banking, the Clerk is the Service Administrator and shall set up all items due for payment.

- (vii) A full list of all payments made in a month shall be provided to the next Council meeting and displayed on the Council's website.
- (ix) At the year end, a councillor shall ensure that the cash book totals are reconciled to the year-end bank statement and shall sign the cash book and the year-end bank statement as evidence of this check.

3.2 The Clerk to the Council/Responsible Financial Officer:

- (i) The Council has appointed a Clerk to the Council who acts as the Council advisor and administrator. The Clerk is the Council's Responsible Financial Officer and is responsible for administering the Council's finances.
- (ii) The Clerk is responsible for the day to day compliance with laws and regulations that the Council is subject to and for managing risks. The Clerk also ensures that the Council's procedures, control systems and policies are maintained.
- (iii) The duties of the Clerk/Responsible Financial Officer are laid down in a job description which is reviewed as and when necessary.
- (iv) The Responsible Financial Officer submits all the requested information to the External Auditor by the required date.

4. Conduct of the Audit

- 4.1 An independent internal auditor is appointed and carries out such checks as are needed to satisfy themselves that the internal controls are adequate and working (See appendix 1).
- 4.2 The effectiveness of the internal audit is reviewed annually, and the Council agrees to the appointment of the internal auditor. The auditor, who is competent and independent (See appendix 2), is advised of the scope of the work to be carried out.
- 4.3 The report and any recommendations of the internal auditor are presented to the Council and agreed actions are monitored to ensure that they have been carried out and auctioned within the agreed timescale.
- 4.4 The Council seeks and receives appropriate property, legal, insurance and health and safety advice to manage risk (See appendix 3).
- 4.5 All statements etc. must be certified in time for the annual return to be submitted to the external auditor by 30th June.
- 4.6 Members of the Council can ask for any area of the Council's business to be looked at by the internal auditor during inspection.

**MITFORD PARISH COUNCIL
FINANCIAL YEAR 2025/26
INTERNAL AUDIT CONTROLS AND TESTS**

INTERNAL CONTROL	AUDIT TESTS	OUTCOMES YES/NO
<p>Accounting Records</p> <p>A. Appropriate accounting records have been properly kept throughout the year.</p> <p>Periodic bank account reconciliations were properly carried out during the year.</p>	<p>Ensure the correct roll forward of the prior year cashbook balances to the new financial year Check a sample of financial transactions in cashbooks to bank statements</p> <p>Ensure that bank reconciliations are prepared routinely, are subject to independent scrutiny and sign-off by members Verify the accuracy of the year-end bank reconciliation detail and ensured accurate disclosure of the combined cash and bank balances in the AGAR, section 2, line 8. Where the authority has bank balances more than £100,000 it has an appropriate investment strategy.</p>	

<p>Standing Orders & Financial Regulations</p> <p>Payment Controls</p> <p>B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT appropriately accounted for.</p>	<p>Review the procedures in place for acquisition of formal tenders and quotes, ensuring they are in line with the SOs and FRs which should be based on the latest version.</p> <p>Ensure that consistent values are in place for the acquisition of formal tenders between SOs and FRs</p>	
	<p>Review the procedures for receipt of invoices, agreement of invoice detail and confirmation of goods /services delivery and approval for payment: ideally, a suitably designed certification stamp should be in place providing for evidencing of these checks and payment authorisation.</p> <p>Check that there is effective segregation between the writing of cheques or the setting up of online payments, and physical release of payments</p> <p>Check that VAT reclaims are prepared and submitted in a timely manner in line with the underlying records and in accordance with current HMRC requirements</p> <p>Where debit / credit cards are in use, establish the total monthly and individual transaction limits and ensure appropriate controls over physical security and usage of the cards are in place</p>	

<p>Risk Management Arrangements</p> <p>C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</p>	<p>Ensure that authority has prepared, and formally adopted, at least once annually, an appropriate and comprehensive register of assessed risks, both regular and ad hoc</p> <p>Ensure that appropriate levels of insurance cover are in place for land, buildings, public, employers' and hirers' liability, fidelity / employees (including Councillors) liability, business interruption and cyber security</p>	
	<p>Ensure that appropriate arrangements are in place for monitoring play areas, open spaces and sports pitches: such reviews should be undertaken by appropriately qualified external inspectors or, if by officers or members, that they have received the appropriate training and accreditation</p> <ul style="list-style-type: none"> ● Review the effectiveness of internal control carried out by the authority 	

Budgetary Control and Review

D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

Ensure that the full Authority, not a committee, has considered, approved and adopted the annual precept for the coming year in accordance with the required parent Authority timetable

Ensure that current year budget reports are prepared and submitted to Authority / Committees periodically during the year with appropriate commentary on any significant variances

Review the budget performance either during the year or at the financial year-end seeking explanations for any significant or unanticipated variances

Ensure that the Authority has considered the establishment of specific earmarked reserves and, ideally, reviews them annually as part of the budget assessment process

Ensure that the precept received in the accounts matches the prior year submission form to the relevant authority and the Public record of precepted amounts

<p>Income Controls</p> <p>E. Expected income was fully received based on correct prices, properly recorded and promptly banked; and VAT appropriately accounted for.</p>	<p>Review “Aged debtor” listings to ensure appropriate follow up action is in place</p> <p>Allotments: ensure that appropriate signed tenancy agreements exist, that an appropriate register of tenants is maintained identifying, that debtors are monitored.</p> <p>Burials: ensure that a formal burial register is maintained that it is up-to- date and that a sample of interments and memorials are appropriately evidenced, that fees have been charged at the correct approved rate and been recovered within a reasonable time:</p> <p>Hall hire: ensure that an effective diary system for bookings is in place identifying the hirer, hire times and ideally cross-referenced to invoices raised</p> <p>Leases: ensure that leases are reviewed in a timely manner in accordance with the terms of the lease and rents similarly reviewed appropriately at the due time</p> <p>Other variable income streams: ensure that appropriate control procedures and documentation are in existence to provide a clear audit trail through to invoicing and recovery of all such income</p> <p>Where amounts are receivable on set dates during the year, ensure that an appropriate control record is maintained duly</p>	
	<p>identifying the date(s) on which income is due and received / banked</p>	

<p>Petty Cash Procedures</p> <p>F. Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for</p>	<p>Review the systems in place for controlling any petty 30 cash and also cash floats (used for bar, catering, etc) Check a sample of transactions during the financial year to ensure appropriate supporting documentation is held Review the existence of evidenced periodic independent verification of the petty cash and any other cash floats held Ensure that VAT is identified wherever incurred and appropriate Physically check the petty cash and other cash floats held Where bar or catering facilities are in place, ensure that appropriate cashing-up procedures are in place reconciling the physical cash takings to the till “Z” total readings</p>	
<p>Payroll Controls</p> <p>G. Salaries to employees and allowances to members were paid in accordance with the authority’s approvals, and PAYE and NI requirements were properly applied.</p>	<ul style="list-style-type: none"> ● Ensure that, for all staff, a formal employment contract is in place together with a confirmatory letter setting out any changes to the contract <p>Ensure that appropriate procedures are in place for the payment of members allowances and deduction of any tax liability Ensure that, for a sample of staff salaries, gross pay due is calculated in accordance with the approved spinal point on the NJC scale or hourly rate, if</p>	

	<p>off-scale, and with the contracted hours</p> <p>Ensure that appropriate tax codes are being applied to each employee</p> <p>Where free or paid for software is used, ensure that it is up to date.</p> <p>For the test sample of employees, ensure that tax is calculated appropriately</p> <p>Check the correct treatment of Pension contributions</p> <p>For NI, ensure that the correct deduction and employer's contributions are applied</p> <p>Ensure that the correct employers' pension percentage contribution is being applied</p> <p>Ensure that for the test sample, the correct net pay is paid to the employee with tax, NI and pension contributions correctly paid to the respective agencies.</p>	
<p>Assets & Investment Controls</p> <p>H. Asset and investment registers were complete and accurate and properly maintained. This section/assurance should be extended to include loans to or by the authority</p>	<p>Ensure that the Authority is maintaining a formal asset register and updating it routinely to record new assets at historic cost price, net of VAT and removing any disposed of / no longer serviceable assets</p> <p>The register should identify for each asset the purchase cost</p> <p>Additions and disposals records allow tracking from the prior year to the current</p> <p>The asset value to be reported in the AGAR at</p>	

	<p>section 2, line 9 equates to the prior year reported value, adjusted for the nominal value of any new acquisitions and / or disposals</p> <p>Compare the asset register with the insurance schedule to ensure that all assets as recorded are appropriately insured or “self-insured” by the Authority Fixed asset investments:</p> <p>Ensure that all long-term investments (i.e. those for more than 12-month terms) are covered by the “Investment Strategy” and reported as Assets in the AGAR at section 2, line 9.</p> <p>Ensure that the authority has sought and obtained appropriate DMO approval for all loans acquired</p> <p>Ensured that the authority has accounted for the loan appropriately and recorded the full value of the loan.</p> <p>Ensure that the combined principal loan repayment and interest for the year is correctly recorded in the AGAR at section 2 line 5</p> <p>Ensure that the outstanding loan liability as at 31st March each year is correctly recorded in the AGAR at section 2, line 10</p> <p>Where the Authority has issued loans to local bodies, they should ideally seek signed indemnities from the recipient body, or their members, agreeing to underwrite the loan debt.</p>	
<p>Accounting Statements & Year-End Procedures</p> <p>J. Accounting statements prepared during the year were prepared on the correct accounting basis,</p>	<p>Ensure that, where annual turnover exceeds £200,000, appropriate records are maintained throughout the year on an Income and</p>	

<p>agreed to the cashbook, supported by an adequate audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded.</p>	<p>Expenditure basis to facilitate budget reporting in that vein Ensure that appropriate accounting arrangements are in place to account for debtors and creditors during the year and at the financial year-end</p>	
<p>Limited Assurance Review Exemption</p> <p>K. If the authority certified itself as exempt from a limited assurance review in the prior year, it met the exemption criteria and correctly declared itself exempt.</p>	<p>The correct exemption certificate was prepared and minuted in accordance with the statutory submission deadline that it has been published, together with all required information on the Authority's website and noticeboard</p>	
<p>Website Requirements</p> <p>L. The authority publishes information on a free to access website / web page, up to date at the time of the internal audit in accordance with the relevant legislation.</p>	<p>Review the Authority's website ensuring that all required documentation is published in accordance with the relevant legislation.</p>	
<p>Exercise of Public Rights</p> <p>M. The authority, during the previous year, correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations.</p>	<p>Examine a copy of the required "Public Notice" ensuring that it clearly identifies the statutory 30 working day period when the Authority's records are available for public inspection.</p>	

<p>Publication Requirements</p> <p>N. The authority complied with the publication requirements for the prior year AGAR.</p>	<p>The statutory disclosure / publication requirements in relation to the prior year's AGAR have been met as detailed on the front page of the current year's AGAR.</p>	
<p>Trust Funds</p> <p>O. Trust funds (including charitable) - the Council met its responsibilities as a trustee</p>	<ul style="list-style-type: none"> ● Confirm that all charities of which the council is a Trustee are up to date with CC filing requirements ● that the council is the sole trustee on the Charity Commission register ● that the council is acting in accordance with the Trust deed ● that the Charity meetings and accounts recorded separately from those of the council ● review the level and activity of the charity and where a risk-based approach suggests such, review the Independent Examiners report 	

APPENDIX 2 – Mitford Parish Council – Review of Effectiveness of Internal Audit

1. Scope of Internal Audit – Does the internal audit sufficiently cover all aspects of the financial controls relevant to the Council and is there a policy in place and approved?

2. Independence – is the Internal Auditor independent?

3. Competence – Is the Internal Auditor Competent and do they carry out their work ethically, with integrity and objectively?

4. Relationships – Is the Clerk consulted in the internal audit plan and training undertaken when necessary?

5. Audit Planning and Reporting – Is there a plan in place for when the internal audit will be undertaken and does the plan properly take account of risk?

APPENDIX 3 - Mitford Parish Council – Risk Assessment of Financial and Non-Financial Internal Audit Controls

No.	Internal Controls	Risks identified/potential for improvements/current procedure	Action Required
1.	Governance		
1.1	<u>Standing Orders</u>		
1.1.1	Standing Orders have been adopted setting out the Council's constitution and procedures. They are reviewed at least every four years		
1.2	<u>Financial Regulations</u>		
1.2.1	The Clerk is the Responsible Financial Officer with the duties detailed in the Financial Regulations.		
1.2.2	Financial Regulations have been adopted which set out procedures. They are review at least every four years.		
1.3	<u>Assertion 10</u>		
1.3.1	The Clerk and Councillors have an email address on a council owned domain name for general correspondence from the public.		
1.3.2	The Council ensures its website complies with the Web Content Accessibility Guidelines (WCAG) 2.2 AA.		

1.3.3	The Council publishes and maintains a clear accessibility statement, that outlines any accessibility limitations, how to request alternative formats, and a named contact for accessibility issues.		
1.3.4	The Council ensures the website complies with the Public Sector Bodies (Website and Mobile Applications) (No. 2) Accessibility Regulations 2018, where applicable.		
1.3.5	The Council adopts and publishes the Information Commissioners Office (ICO) Model Publication Scheme.		
1.3.6	The Council publishes information as required by the Transparency Code for Small Authorities (for those with turnover under £25,000).		
1.3.7	The Council keeps all financial and governance information up to date and makes it accessible via its website.		
1.3.8	The Council has considered its data protection compliance and is sure that it is fully complying with the UK General Data		

	Protection Regulation (UK GDPR) and the Data Protection Act (DPA) 2018.		
1.3.9	The Council is processing personal data with care and in line with the principles of data protection.		
1.3.10	The Council has implemented an IT Policy covering:		
1.3.11	Use of email and personal devices for official business.		
1.3.12	Email, document handling, data storage and security protocols.		
1.3.13	Responsibilities of councillors, staff and contractors. The policy provides guidance on cyber security threats such as phishing, and outlines mitigation measures.		
1.3.14	The Council reviews the policy annually and shares it with all relevant parties.		

No.	Internal Controls	Risks identified/potential for improvements/current procedure	Action Required
1.4 1.4.1 1.4.2 1.4.3 1.4.4	<u>Measures to Prevent Fraud and Corruption</u> The Council has adopted the NALC Model Code of Conduct. All Councillors sign a Declaration of Acceptance of Office on election or co-option. All Councillors complete a Register of Interests and provide updated information as appropriate. Copies are held with the Council and Northumberland County Council. There is an agenda item for Councillor Declarations of Interests on every council agenda.		
1.5 1.5.1	<u>Insurable Risks</u> Employers Liability Insurance (this is the only insurance the Parish Council is required to hold through legislation.		

No.	Internal Controls	Risks identified/potential for improvements/current procedure	Action Required
<p>1.6</p> <p>1.6.1</p> <p>1.6.2</p> <p>1.6.3</p>	<p><u>External Audit Annual Governance Statement Requirements</u></p> <p>Statement of accounts formally approved by Council.</p> <p>Council only does things it has legal power to do and works within appropriate standards and codes of practice which could have a significant effect on the ability of the Council to conduct its business or on its finances.</p> <p>Notice of audit displayed on the 3 Council notice boards to allow electors to inspect accounts as required by The Accounts and Audit Regulations 2015.</p> <p>Appropriate steps are taken to deal with matters raised in reports from Internal and External Auditors through agenda items on Parish Council meeting agenda.</p>		

No.	Internal Controls	Risks identified/potential for improvements/current procedure	Action Required
1.7 1.7.1	<p><u>Proper Booking</u> The cash book is balanced against the bank statements to ensure arithmetically correct when bank statements received.</p> <p>Cash book stored in locked cupboard.</p> <p>Budget/Precept reports are held on the Clerks computer and backed up onto USB flash drive.</p>		
1.8 1.8.1 1.8.2	<p><u>Payment Controls</u> A list of payments is prepared for the Parish Council meeting with the invoices also available for inspections. Councillor approve these payments and this is recorded in the minutes. Payments are made via BACS or cheques which are signed by 2 approved councillors or clerk/councillor.</p> <p>VAT is recorded in a separate column in the cashbook. Annual reclaims are made.</p>		

No.	Internal Controls	Risks identified/potential for improvements/current procedure	Action Required
1.8.3	S137 payments are shown in a separate column in the cashbook.		
1.9 1.9.1 1.9.2	<u>Budgetary Controls</u> The Council sets a budget which is approved and recorded in the minutes no later than the January meeting. The Clerk presents a quarterly income and expenditure report to the Council.		
2.0 2.0.1 2.0.2	<u>Income Controls</u> All income is recorded in the cashbook. Northumberland County Council issues a remittance advice which confirms the precept that is paid directly into the Council's bank account.		
2.1 2.1.1 2.1.2	<u>Payroll Controls</u> The Clerk completes the payroll The Clerk is eligible to be paid travel expenses for any official mileage.		

No.	Internal Controls	Risks identified/potential for improvements/current procedure	Action Required
2.2 2.2.1 2.2.2 2.2.3	<u>Asset Controls</u> An asset register with insurance valuation updates annually. The list of assets is maintained and updated during the year, insurance cover extended for new acquisitions when appropriate. Copy presented to Councillors with annual statement of accounts. Insurance provider reviewed from time to time for competitive pricing.		
2.3 2.3.1 2.3.2 2.3.3	<u>Bank Reconciliation</u> The bank account is reconciled by the Clerk. Quarterly bank reconciliations are undertaken by the Clerk and signed off on the bank statements. Any adjustments for interest/bank charges/unpaid cheques are noted in the cashbook if they occur.		

No.	Internal Controls	Risks identified/potential for improvements/current procedure	Action Required
2.4 2.4.1 2.4.2 2.4.3	<u>Year End Procedures</u> Accounts are prepared on a payment and receipts basis. Full cross casting of the cashbook is agreed to the final accounts. The Chairman signs the cashbook. An audit trail is provided by recording the minute number and meeting date the payment was agreed.		
2.5 2.5.1	<u>Qualifications of the Clerk</u> The Clerk holds CilCA (Certificate in Local Council Administration) and is a member of the Institute of Local Council Management.		
2.6 2.6.1	<u>Meetings</u> The meeting policy is set out in Standing Orders, notices are provided three clear days before the meeting on noticeboards. Draft minutes are published prior to the next meeting, time is set aside for public participation.		

No.	Internal Controls	Risks identified/potential for improvements/current procedure	Action Required
2.7 2.7.1 2.7.2 2.7.3	<u>Communications</u> The Parish Council has a website through the Northumberland Association of Local Councils. Before 1 st April 2026, a new website will be published using Parishes online The Parish Council has an email address that is widely published on noticeboards, emails and websites. Parish Council information is placed on the three noticeboards and updated as and when required.		
2.8 2.8.1	<u>Annual Report</u> Annual Report is completed and published by 30 th June of the following year. It is available to any elector and includes a summary of accounts and the Chairman's overview and is presented at the Parish Council meeting.		

No.	Internal Controls	Risks identified/potential for improvements/current procedure	Action Required
2.9 2.9.1	<u>Accounts</u> Accounts are prepared in accordance with statutory requirements, approved within three months of the accounting date and published within six months.		
3.0 3.1	<u>Clerk's Contract</u> The Parish Council has adopted the national Association of Local Council's terms and conditions and contract of employment.		
3.1 3.1.1	<u>Training</u> The Council has evaluated and identified training needs for staff and members.		
3.2 3.2.1 3.2.2	<u>General Power of Competence</u> Two thirds of vacancies filled at last election. Clerk is CilCA qualified and has passed unit 7 – General Power of Competence.		