STATEMENT OF INTERNAL CONTROLS

FAIR OAK AND HORTON HEATH PARISH COUNCIL

1. INTRODUCTION AND GENERAL INFORMATION

This Statement of Internal Controls sets out the comprehensive framework of internal controls maintained by Fair Oak and Horton Heath Parish Council to ensure the proper conduct of its business, safeguarding of public money, and compliance with applicable laws and regulations.

General Information:

- The Responsible Financial Officer (RFO) role is carried out by one individual who is part-time
- Abbreviations used: RFO – Responsible Financial Officer, NALC – National Association of Local Councils, SLCC – Society of Local Council Clerks; RBS – Rialtas Accounting Software

2. STANDING ORDERS AND FINANCIAL REGULATIONS

The Council maintains comprehensive Standing Orders and Financial Regulations that:

- Are based on the model version prepared by NALC/SLCC
- Govern the operational procedures of the Council
- Incorporate provisions for securing competition in procurement through specified requirements for estimates, quotes, or full tenders depending on value and nature of work
- Regulate the way tenders are invited and evaluated
- Are reviewed annually for continued relevance and amended where necessary by the Clerk and RFO
- Require Council or Finance Committee approval for any proposed amendments
- Are adhered to by all Council members and officers

3. CASH BOOK AND BANK RECONCILIATION CONTROLS

Cash Book Management

- The cash book is maintained electronically using RBS Accounting Software
- Updated from original documents (invoices, payments, cheques) and online bank transactions
- Reconciled to bank statements at least monthly
- Summary of reconciled accounts presented at each Full Council Meeting

Banking Arrangements

The Council maintains:

- One current account with HSBC Bank
- A Premier Account with HSBC
- A Public Sector Account with CCLA

Review and Verification

- Cash book, payments, receipts, and bank reconciliations are reviewed and approved annually (or more frequently) by Finance Committee members
- Bank reconciliation reported quarterly and minuted
- At least quarterly, and at each financial year end, a member other than the Chair or bank mandate signatory verifies bank reconciliations, signing and dating reconciliations and original bank statements
- Latest financial position reported as part of Finance Report at each Full Council meeting

4. PAYMENT CONTROLS AND AUTHORISATION

Invoice Processing

- RFO signs purchase invoices to confirm receipt of supply, verify no previous payment, and check calculation accuracy
- Purchase orders/emails/letters are matched to purchase invoices where applicable
- Payments entered into RBS accounting software with unique sequential transaction numbers
- Original invoices available to Councillors at meetings

Authorisation Process

- Every payment requires authorisation by two Councillors
- Payments outside budget and Finance Committee authority referred to next Council/Finance Committee meeting
- Signed payment list recorded with minutes

Dual Authorisation Compliance

In line with the SAPPP Practitioners Guide 2025, the Council recognises the importance of implementing a two-step authorisation process for electronic payments and will proactively explore banking providers that support this functionality to ensure compliance with JPAG recommendations and strengthen financial governance.

Payment Methods

- **Cheques:** Signed by two authorised Councillors according to bank mandate, with RFO maintaining control of cheque book

- **Online Banking:** Payments set up by RFO and authorised by two Councillors with appropriate bank mandate authority
- **Debit Card:** RFO holds HSBC debit card with £2000 limit for necessary payments
- All payments cross-referenced with bank statements using unique identifiers

5. INCOME CONTROLS

The Council ensures:

- Precept amount received is correct according to request sent to Eastleigh Borough Council (EBC)
- Precept instalments received when due
- Other receipts (deposit interest, rents, etc.) received when due and correctly calculated
- Receipts issued for cash received with numbers recorded against payments
- Income banked promptly

6. VAT CONTROLS

- All invoices addressed to the Council with correct site address
- Proper VAT invoices received where VAT is payable
- VAT calculated and processed for quarterly reclaim
- VAT submissions made electronically

7. FINANCIAL REPORTING AND BUDGET CONTROL

Budget Management

- Budget prepared in consultation with Councillors, evidenced by reports and minutes
- Precept set based on budget by EBC deadline
- Budget control comparing actual receipts and payments to budget and previous year prepared quarterly
- Quarterly reports presented to Full Council in advance of meetings and minuted

8. PAYROLL CONTROLS

Payroll Administration

- All staff salaries, pensions, and PAYE managed by RFO using SAGE payroll software
- PAYE submissions to HMRC made automatically through payroll software
- Pensions submissions calculated and paid to Hampshire Pensions
- Salaries paid online by BACS
- All salary, pension, PAYE, and NI payments signed off at Council Meetings as part of payment list

Compliance

- RFO ensures all necessary payroll returns made to HMRC with retained evidence
- Remuneration for all employees approved in advance by the Council
- Compliance with employment legislation duties maintained
- Pension obligations met

9. ASSET MANAGEMENT

Asset Register and Control

- RFO maintains full Asset Register reviewed annually
- Annual checking of asset existence and condition by Parish Council members
- Assets properly secured, maintained, and efficiently managed
- Appropriate procedures followed for asset disposal with proper handling of capital receipts

Insurance

- Adequacy of insurance coverage considered annually in advance of renewal

10. OFFICE AND RFO EXPENSES

- Personal expenses normally paid by BACS following approval process
- Invoices or receipts retained for accounting purposes

11. DATA PROTECTION AND BACKUP

System Security

- Council's Accounting System operates on Cloud-based RBS Service with automatic cloud backup
- Data loss prevention measures in place

Record Retention

- Hard copies of bank statements, bank reconciliations, Annual and Governance Reports kept in fireproof cabinets
- Records retained for prescribed periods per adopted Disposal and Retention of Information Policy

12. LEGAL COMPLIANCE AND POWERS

Acting Within Powers

- All Council actions undertaken within statutory powers
- Robust procedures prevent ultra vires decisions or payments
- Decision-making processes ensure understanding of applicable legal powers

- Exercise of powers carried out reasonably and proportionately

Regulatory Compliance

- Procedures ensure regular review of compliance with statutory regulations
- New requirements or changes reported to members and applied
- Particular regard given to Accounts and Audit Regulations 2015 requirements

13. RISK MANAGEMENT

- Regular risk assessments focusing on safety of Council's assets, particularly money
- Appropriate training provided to those with direct responsibility for financial matters
- Controls embedded within Standing Orders and Financial Regulations

14. REVIEW OF EFFECTIVENESS

In accordance with Regulation 6 of the Accounts and Audit Regulations 2015, the Council conducts an annual review of the effectiveness of its system of internal control. This review:

- Is conducted during each financial year
- Informs preparation of the annual governance statement
- Identifies areas for improvement and necessary action

15. ANNUAL ASSURANCE

The Council can provide positive assurance that:

- An adequate system of internal control is maintained, including measures to prevent and detect fraud and corruption
- The effectiveness of internal controls is regularly reviewed
- All reasonable steps are taken to ensure compliance with laws, regulations, and proper practices
- No matters of actual or potential non-compliance exist that could significantly affect the Council's ability to conduct its business or impact its finances

16. RESPONSIBILITY AND ACCOUNTABILITY

This Statement of Internal Controls is approved by the Council and is subject to annual review. The implementation and maintenance of these controls is the responsibility of all Council members and officers, with particular oversight by the Responsible Financial Officer.