

2025

Hampsthwaite Parish Council: Mid-Year Internal Review Policy



Adopted: September 2025

1. Policy Statement

Hampsthwaite Parish Council is committed to maintaining robust financial controls throughout the financial year. This policy sets out the framework for a councillor-led mid-year review of internal controls, distinct from the statutory Internal Audit conducted at year-end.¹

2. Purpose and Rationale

The mid-year review provides assurance that financial procedures are operating effectively, supports early identification of issues, and complements the council's audit and governance framework.²

3. Reviewer Appointment

Each financial year, the Parish Council shall appoint a councillor to undertake the review. The appointed member must not be a bank signatory or involved in day-to-day financial administration.³

4. Timing and Frequency

The review shall be conducted between months 5 and 7 of the financial year. The completed checklist shall be reported to Full Council at the next available meeting.

5. Scope of Review

The review shall be conducted using the council's Internal Control Checklist (Appendix A), covering:

- Cash book accuracy and reconciliation
- Payment authorisation and supporting documentation
- Bank reconciliation and dual signatory controls
- VAT treatment and reporting
- Income controls and banking procedures
- Compliance with Financial Regulations and Standing Orders⁴

¹ See FR 2.1 and FR 2.2 – these clauses establish the council's commitment to regular financial oversight and reconciliation.

² Refer to Practitioners' Guide (JPAG), Section 4 – Internal Control, which encourages councils to embed control checks throughout the year.

³ FR 5.2 and SO 18b – these clauses support separation of duties and independent oversight.

⁴ See FR 2.2–2.3, FR 4.1, FR 5.2, FR 9.1, and SO 18b – these clauses define the financial control environment and reporting expectations.

6. Reporting and Follow-Up

The completed checklist shall be signed by the reviewing councillor and submitted to Full Council. Any observations or recommendations shall be recorded in the minutes and actioned by the Clerk.⁵

7. Relationship to Year-End Internal Audit

This review is separate from the statutory Internal Audit conducted at the end of the financial year. It does not replace or duplicate the formal audit process.⁶

8. Review of Policy

This policy shall be reviewed annually alongside Financial Regulations and the Internal Control Checklist.⁷

⁵ See FR 2.3 and SO 18c – these clauses support transparent reporting and councillor oversight of financial matters.

⁶ Refer to Accounts and Audit Regulations 2015, Regulation 5 – which defines the statutory Internal Audit as an independent, year-end process.

⁷ See FR 1.1 – which requires regular review of governance documents to ensure continued relevance and compliance.

Appendix A

1. Accounting Records

- 1.1. Is the cash book being kept up to date? ☐ Yes ☐ No

Assertion: FR 2.2: Timely updates ensure financial accuracy and support monthly reconciliation.

- 1.2. Is the cash book cross-referenced with minutes,
bank statements, and cheque books? ☐ Yes ☐ No

Assertion: FR 2.3: Cross-referencing supports audit trail and councillor oversight.

2. Payments

- 2.1 Are payments authorised and recorded correctly? ☐ Yes ☐ No

Assertion: Payment procedures under FR 4.1–4.3 ensure proper authorisation and audit trail.

- 2.2 Do payments correspond with invoiced amounts? ☐ Yes ☐ No

Assertion: FR 4.3: Matching invoices prevents overpayment and supports procurement integrity.

- 2.3 Are Direct Debits and Standing Orders legitimate
and approved? ☐ Yes ☐ No

Assertion: FR 4.6: Recurring payments must be pre-approved and monitored.

3. Payroll

- 3.1 Is PAYE/NIC calculated and submitted on time? ☐ Yes ☐ No

Assertion: Payroll processing under FR 5.1–5.2 ensures statutory compliance and timely remittance.

- 3.2 Are salary payments supported by contracts and timesheets? ☐ Yes ☐ No

Assertion: Documentation under FR 5.3–5.4 confirms lawful employment and payment accuracy.

- 3.3 Are pension contributions calculated and paid correctly? ☐ Yes ☐ No

Assertion: Pension handling under FR 5.5 supports employee entitlements and regulatory compliance.

4. Receipts

4.1 Is income collected promptly and in full? ☐ Yes ☐ No

Assertion: Income controls under FR 3.2–3.3 ensure timely collection and prevent loss or misstatement.

4.2 Are receipts issued for income received? ☐ Yes ☐ No

Assertion: Receipts provide proof of payment and support financial transparency.

4.3 Is income properly controlled before banking? ☐ Yes ☐ No

Assertion: Interim handling complies with FR 3.4, safeguarding council funds.

5. Allotments

5.1 Are rent letters sent and rents received on time? ☐ Yes ☐ No

Assertion: Allotment income is managed per tenancy agreements and invoicing schedule, supporting budget predictability.

5.2 Are tenancy agreements issued and retained? ☐ Yes ☐ No

Assertion: Agreements formalise occupancy and ensure lawful rent collection.

6. Surplus Balance

6.1 Are surplus funds placed in interest-earning accounts? ☐ Yes ☐ No

Assertion: Investment of reserves complies with FR 8.1, maximising public value while maintaining liquidity.

7. Bank Reconciliation

7.1 Is reconciliation provided monthly? ☐ Yes ☐ No

Assertion: Monthly reconciliation under FR 2.2 supports councillor oversight and early error detection.

7.2 Is reconciliation checked against bank statements? ☐ Yes ☐ No

Assertion: Independent verification ensures accuracy and confirms financial control.

8. VAT

8.1 Is VAT properly recorded in the cash book? ☐ Yes ☐ No

Assertion: VAT entries comply with FR 9.1 and HMRC Notice 749, supporting accurate reclaim.

8.2 Is VAT reclaimed and received? ☐ Yes ☐ No

Assertion: HMRC Notice 749: Timely submission ensures cash flow and statutory compliance.

9. Stationery & Supplies

9.1 Are orders commensurate with council usage? ☐ Yes ☐ NO

Assertion FR: 4.4 Procurement must reflect operational need and budget constraints.

10. Internet Banking

10.1 Are council-approved checks being followed? ☐ Yes ☐ No

Assertion: FR 4.6 Online payment controls must be adhered to for security and audit resilience.

11. Audit Report

11.1 Are internal audit reports presented and acted upon? ☐ Yes ☐ No

Assertion: FR 2.3: Council must review and respond to internal audit findings.

11.2 Are external audit directives presented and
actioned? ☐ Yes ☐ No

Assertion: Accounts & Audit Regs 2015: External audit findings must be transparently addressed.

Signed

Councillor Name

Date
