STATEMENT OF INTERNAL CONTROL & ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL CONTROL

OVERVIEW

Regulation 3 of the Accounts and Audit Regulations 2015 states that:

A relevant authority must ensure that it has a sound system of internal control which—

a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;

b) ensures that the financial and operational management of the authority is effective; and

c) includes effective arrangements for the management of risk

In accordance with proper practices, the Council is required to conduct a review of the effectiveness of its system of internal control at least once per year. The council is required to sign the Annual Governance Statement (part of the Annual Governance and Accountability Return submitted to external audit) to evidence that this review has been carried out.

To review the effectiveness of the internal control system there needs to be clarity on the internal controls in place. Some internal controls are listed in the Standing Orders and Financial Regulations, but the system of control goes beyond this. A statement of internal controls has therefore been prepared and is included following this report.

RECOMMENDATION

That the Council consider the attached statement of internal controls, reviewing it to consider whether the controls currently in place are effective

The following statement of internal control will be considered for approval by the Council on 14th January 2025 as a true statement of the course of events undertaken by the Clerk/RFO

Prepared by Kate Pritchard, Parish Clerk

STATEMENT OF INTERNAL CONTROL

Cash Book/Bank reconciliations

- The cash book is kept electronically, maintained up to date from original documents (e.g. invoices)
- The cash book is reconciled to the bank statement at the end of every month
- Reconciled accounts are presented at each Council meeting for reference
- The cash books, payments and receipts, and bank reconciliation is reviewed and approved by 2 members of the Council, with reference to the underlying records (bank statements) bi monthly
- The latest financial position and movements on the Council's cash balances are reported at each council meeting and can be traced back to the expenditure approved in the previous meeting

Financial Regulations & Standing Orders

- The Council have adopted financial regulations and standing orders, based on the model versions prepared by NALC/SLCC. The regulations and orders are reviewed for continued relevance at least annually and amended where necessary by the Responsible Financial Officer with any proposed amendments subject to approval by full Council

Order/Tender controls

- The Financial Regulations list the number of estimates, quotes or full tenders that must be invited depending on the value and nature of the work
- Official orders/letters are sent to suppliers for services which are not regular in nature
- A proper legal power is identified in advance of any expenditure

Payment controls

- Depending on the nature of the supply, the RFO checks the purchase invoice to indicate that the supply has been received, that the supply has not previously been paid and that the invoice calculations are correct
- Purchase orders/emails/letters ordering the work are matched to purchase invoices where applicable
- Payments will be listed in date order in the cash books and in accounts files
- All invoices for payment are listed on the report tabled at a meeting where the expenditure is to be authorised for payment
- Payments made are attached to the minutes of the meeting
- Original invoices are available to Councillors authorising payments

- Cheques will be signed by two councillors, who are authorised to sign on the Council's bank mandate. Electronic payments will be authorised by two signatories prior to payments being made

- The RFO is authorised to transfer funds from one account to another

- The RFO always maintains control of the cheque book, cheques will only be issued and signed for payments approved in Council meetings except for special circumstances whereby the Chairman and Vice Chairman give authority

- When invoices are paid by cheque, they are with identified by the cheque number and referenced in the cashbook by the cheque number. This is cross checked with the bank statements. When invoices are paid by electronic payment this is identified by invoice number and account number which can be cross referenced with the bank statement and cash book

Payments made under section 137 of the 1972 LGA ("The Free Resource")

- The RFO calculates the maximum amount of s137 expenditure able to be made each year and ensures that it is not exceeded and confirmed to the Council when expenditure is considered either by reference to a specific budget for that payment or to the amount of unspent s137 money available

- Where requests for expenditure from s137 are made this is made clear at the meeting where the payment is to be approved

- The proper minute authorising expenditure from s137 is prepared on each occasion

VAT repayment claims

- RFO ensures that all invoices are addressed to the Parish Council

- RFO ensures that proper VAT invoices are received where VAT is payable

- RFO maintains a VAT account to show that the correct amount of VAT is reclaimed in the year

Income controls

- RFO ensures that amount of the precept received reconciles to the precept request sent to the District Council
- RFO ensures that the precept instalments are received when due
- RFO ensures that other receipts (investment interest, VAT refunds, CIL Funds) are received when due and correctly calculated
- Income is banked promptly

Budgetary controls

- The budget is prepared in consultation with the Council, as evidenced by reports and minutes in advance of the start of the year
- The precept is set based on the budget by the deadline set by South Staffordshire District Council

Payroll controls

- New staff contracts are prepared by the Clerk and agreed by the Council
- Staff contracts are reviewed and amended where necessary by the Clerk and approved by the Council
- All employees' salaries are set by the Council and a minute is prepared to show the agreed salary scale
- All eligible employee's will be auto enrolled into the Council's chosen pension scheme and unless the employee choses to opt out eligible employees will receive a contribution set by the Council and evidenced by a minute to show the agreed contributions
- Employees who are not eligible for auto-enrolment will be able to opt into the Pension Scheme and the Council will agree their level of contribution to the scheme and evidence this by a minute
- Any additional hours are agreed to by either the Chairman or Clerk in agreement with the Chairman
- The RFO will ensure the calculation of salaries and pension contributions are correct and these payments will be authorised in advance by the Council or if no meeting is to be held before payments are due, they will be authorised by the Clerk in conjunction with the Chairman under the scheme of delegation to the Clerk
- The salaries are paid by bank transfer on the 6th day of each month (or the working day before if this falls on a weekend or bank holiday)
- All employees are paid under PAYE as an employee and the HMRC Basic PAYE Tools software is used to record Real Time Information

- The RFO will ensure the necessary payroll returns are submitted to HMRC on time and will retain a record of the submission

- The RFO will ensure the pension contributions are submitted to the pension provider on time, retaining a record of the submission

Clerk / Officer Expenses

- The Clerk / Officer submits a request for reimbursement of monies owing by way of an expense account, in advance of each meeting

- The expenses cover any out-of-pocket expenses as well as homeworking and motoring expenses as laid down by joint SLCC/NALC guidelines

- Expenses are paid by electronic transfer

Asset Control

- The RFO maintains a full asset register

- The existence and condition of assets is checked at least twice a year by the Clerk or a member of the Council

- The adequacy of insurance of the Council's assets is considered annually in advance of the insurance renewal

- Asset valuations for the purpose of insurance will be carried out at least every three years

Risk Assessment / Management

- A Risk Assessment is carried out by the Clerk for each new council activity or event

- Existing Risk Assessments are reviewed at least annually by the Clerk

- A summary of identified risks and controls are to be entered into the Risk Management Scheme by the Clerk

- The Risk Management Scheme is a working document to be updated by the Clerk / RFO when necessary and reviewed by the Council at least annually, any significant increase to the level of risk identified by the Clerk must be declared to the Chairman upon discovery and reported to the Council at the next meeting

Statement of internal controls approved by the Council as effective controls on:
Review date: