



STATEMENT OF INTERNAL CONTROL AND ANNUAL REVIEW OF EFFECTIVENESS OF INTERNAL CONTROL

1.0 OVERVIEW

- 1.1 Regulation 4 of the Accounts and Audit Regulations, 2015 as amended, imposes a duty on local councils to ensure “that the financial management of the body is adequate and effective and that the body has a sound system of internal control.”
- 1.2 Local councils are required, at least once a year, to conduct, in accordance with proper practices, a review of the effectiveness of its system of internal control. The council is required to sign the annual governance statement (on the annual return submitted to the external auditor) to evidence that this review has been undertaken.
- 1.3 In order for the Parish Council to review the effectiveness of the internal control system there needs to be clarity on the internal controls in place.
- 1.4 Some internal controls are listed in the Financial Regulations document, but the system of controls goes beyond this. A Statement of Internal Controls has therefore been prepared and this is included following this report.

2.0 RECOMMENDATION

- 2.1 That the Parish Council consider the attached Statement of Internal Controls, reviewing it to consider whether the controls currently in place are effective.

Prepared by: Procedures Working Group 3rd April 2023

The following statement of internal control was considered by Desford Parish Council at its meeting of 15th May 2024 and approved by the Council as a true statement.

Signature of Chairman:

Date:



STATEMENT OF INTERNAL CONTROL

1.0 Cash Book/Bank reconciliations

- 1.1 The cash book is kept electronically, maintained up to date from original documents (cash received, invoices, payments, standing orders made and cheques as they are prepared).
- 1.2 The cash book is reconciled to the bank statement at least monthly.
- 1.3 Reconciled accounts are presented at each Resources Committee, then submitted to the full Parish Council meeting for approval and signed by the Chairman.
- 1.4 The cash books, payments and receipts and bank reconciliation are reviewed by the Resources Committee and recommended for approval by the full Parish Council, with reference to the underlying records (bank statements and minutes plus copies of accounts papers etc) on a monthly basis
- 1.5 The bank reconciliation is reported to the full Parish Council.
- 1.6 The latest financial position and movements on the Parish Council's cash balances are reported at each Resources Committee and full Parish Council meeting and can be traced back to the expenditure approved in the previous meeting via the accounts filed with the minutes.

2.0 Financial Regulations & Standing Orders

- 2.1 The Parish Council has adopted Financial Regulations and Standing Orders, based on the model versions prepared by NALC. The regulations and orders are reviewed for continued relevance at least annually and amended where necessary by the Procedures Working Group with any proposed amendments subject to comment by the Responsible Finance Officer (RFO) and approval by the full Parish Council.

3.0 Order/Tender controls

- 3.1 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.

- 3.2 Purchase orders/emails/letters are sent to suppliers for services which are not regular
- 3.3 A proper legal power is identified in advance of any expenditure.
- 3.4 All tenders are approved by the full Parish Council and are monitored by the RFO and Resources Committee

4.0 Payment controls

- 4.1 Depending on the nature of the supply, the RFO or a designated representative 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.
- 4.2 Purchase orders/emails/letters ordering the work are matched to purchase invoices where applicable.
- 4.3 Payments will be listed in date order in the cash books and in accounts files.
- 4.4 All invoices for payment are listed on the report tabled at a meeting where the expenditure is to be authorised for payment.
- 4.5 Payments agreed are included in the minutes of the meeting.
- 4.6 Original invoices are available to the Councillors signing the cheques and/or the record of BACS and debit card payments.
- 4.7 Cheques are to be signed by 2 councillors who are authorised to sign on the Parish Council's bank mandate. The record of BACS and debit card payments will be signed by one councillor. All councillors will be expected to check and sign the record of payments above on a rota system (one councillor per month). The Clerk will draw up a rota at the start of the fiscal year and distribute. In addition, at least 4 times a year, payments made in the previous month should be checked against the up to date bank statements and the invoices that payments have been made against. This check is to be carried out by a member of the Resources Committee.
- 4.8 The RFO or a designated representative is authorised to transfer funds from the Reserve account to Current account (and vice-versa) and the Current account to the Debit Card (DC) account up to a maximum of £2 500 for the DC account. However, the RFO or a designated representative must not make third party payments from the bank accounts in any form.
- 4.9 The RFO or a designated representative maintains control of the cheque book and debit card at all times. Cheques will only be issued and signed for payments approved in full Parish Council meetings except for special circumstances whereby the Chairman of Council and Chairman of Resources Committee give authority.
- 4.10 Payments by BACS will only be made for transactions approved at full Parish Council meetings except for special circumstances whereby the Chairman of Council and Chairman of Resources Committee give authority.

- 4.11 Payment by debit card may be made by the RFO for amounts up to £1 000.
- 4.12 Every payment is identified by a sequential unique number. This number is used to identify the transaction in the payments' cashbook, the invoice and cross referenced to the bank statement.
- 4.13 When invoices are paid by cheque, they are identified by the cheque number and referenced in the cashbook by the cheque number, as well as by the unique identifier. This is cross-checked with the bank statements.

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

- 5.1 A separate s137 budget heading is maintained.
- 5.2 The RFO calculates the maximum amount of s137 expenditure able to be made each year and ensures that it is not exceeded. This is confirmed to the Parish Council when expenditure is considered by reference to the amount of unspent s137 money available.
- 5.3 Where requests for expenditure from s137 are made, this is made clear at the meeting where the payment is to be approved.
- 5.4 The proper minute authorising expenditure from s137 is prepared on each occasion.

6.0 VAT repayment claims

- 6.1 The RFO ensures that all invoices are addressed to the Parish Council.
- 6.2 The RFO ensures that proper VAT invoices are received where VAT is payable.
- 6.3 The RFO maintains a VAT account to show that the correct amount of VAT is reclaimed in the year.

7.0 Income controls

- 7.1 The RFO ensures that the amount of the precept received is correct in accordance with the precept request sent to the Borough Council.
- 7.2 The RFO ensures that the precept instalments are received when due.
- 7.3 The RFO or a designated representative ensures that other receipts (deposit interest, allotment and land rents) are received when due and correctly calculated.
- 7.4 When requested, receipts are issued for cash received and a copy kept.
- 7.5 Income is banked promptly.

8.0 Financial reporting

- 8.1 A budget control, comparing actual receipts and payments to the budget, is prepared on

8.2 a monthly basis, presented to the Resources Committee and recommended to Parish Council at the meeting.

9.0 Budgetary controls

9.1 The budget is prepared in consultation with the Resources Committee and full Parish Council, as evidenced by reports and minutes in advance of the start of the year.

9.2 The precept is set on the basis of the budget by the deadline set by Hinckley & Bosworth Borough Council.

10.0 Payroll controls

10.1 Approval of any staff contracts is given when full Council agree the minutes from the Staffing Working Group meeting which has recommended these.

10.2 All employees are paid under PAYE as an employee and the necessary system for HMRC RTI is in place.

10.3 All employees' salaries are approved when the minutes of the Staffing Working Group are agreed by full Council.

10.4 Any additional hours are reported to full Council each month when the invoices are approved.

10.5 The monthly salaries are approved by Resources Committee and full Parish Council and are paid by BACS.

10.6 The RFO or a designated representative will ensure that all the necessary payroll returns are made to HMRC and will retain evidence that this has been done.

11.0 Office and Clerk's expenses

11.1 All staff submit a request for reimbursement of monies owing by way of an expense account, in advance of each Resources Committee meeting.

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

11.3 Expenses are approved by Resources Committee and full Parish Council then paid by BACS with the salary.

12.0 Asset Control

12.1 The RFO maintains a full asset register.

12.2 The existence and condition of assets is checked on an annual basis by the Parish Council.

12.3 The adequacy of insurance of the Parish Council's assets is considered annually in
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advance of the insurance renewal.

13.0 Risk Assessment

- 13.1 A financial risk assessment is carried out annually by the Procedures Working Group and Resources Committee and presented to a Parish Council meeting where it is approved, signed and minuted as approved by the Council.