



## **Simpson and Ashland Parish Council**

### **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 2003 and 2011 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, which should take place and be approved before 31 March. 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, but the system of controls goes beyond this. A Statement of Internal Controls has therefore been prepared and this is included following this report.
- 1.5 This Statement of Internal Controls supplements the Transparency Code.

#### **2.0 Recommendation**

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

First Draft:	7 May 2014
Reviewed:	1 July 2015
Reviewed:	9 May 2016
Reviewed:	1 March 2017

The following statement of Internal Control was updated by Sue Key, Responsible Finance Officer and considered by Simpson and Ashland Parish Council at its Full Council meeting on 5 March 2018 and approved by the Council as a true statement of the course of events undertaken by the Clerk/RFO during 2017/18.

## SIMPSON AND ASHLAND PARISH COUNCIL

### STATEMENT OF INTERNAL CONTROL

Cash Book/Bank Reconciliations	<ul style="list-style-type: none"> <li>• The Parish Council operates an electronic receipts and payments (cash book) accounting kept up to date from original documents (invoice payments, BACs, receipts, and cheques).</li> <li>• Transactions are undertaken via Bank transfers (BACs) or by cheque payment.</li> <li>• The cash book is reconciled to the bank statement at least monthly.</li> <li>• The Responsible Finance Officer and the Councillor with Finance Portfolio carry out a final check before presenting to the bi-monthly parish meeting for approval.</li> <li>• The latest financial position and movements on the Council's receipts, payments and balances is reported at each council meeting.</li> <li>• Requests for work/and or expenditure from the sub groups is brought to each Parish Council meeting for approval and minuted.</li> <li>• The cash book statement spreadsheet, once approved at the Parish Council meeting is published on the website for public access.</li> </ul>
Financial Regulations	<ul style="list-style-type: none"> <li>• The Parish Council has adopted Financial Regulations based on the NALC model.</li> <li>• The regulations are reviewed annually for continued relevance and amended where necessary by the Responsible Financial Officer with any proposed amendments subject to approval by the Parish Council.</li> </ul>
Order/Tender controls	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Official e-mail orders/letters are sent to suppliers for services which are not regular in nature.</li> <li>• All orders placed by councillors are copied to the RFO for matching against the invoices and for providing expenditure incurred date for the Income and Expenditure Statement in line with the new Transparency Code requirements.</li> </ul>
Legal Powers	<ul style="list-style-type: none"> <li>• A proper legal power is identified in advance of any expenditure.</li> </ul>
Payment controls	<ul style="list-style-type: none"> <li>• RFO checks invoice calculations for accuracy.</li> <li>• Purchase orders/letters/e-mails ordering the work are matched to purchase invoices where applicable.</li> <li>• All payments are reviewed by the RFO and the Councillor with Financial responsibility and are reported to the Parish Council for approval via the agenda.</li> <li>• Where work has been requested in between Full Parish Council meetings, authorisation by e-mail is required by a minimum of four councillors, or if up to £500 can be approved as stated within the Scheme of Delegated Powers. Payment is reported at the next full parish meeting.</li> <li>• The Parish Council Bank accounts have a Bank Mandate. The Bank Mandate is reviewed and amended when there are changes to personnel.</li> <li>• The RFO is authorised to make BACS payments once approved by full parish council meeting or approved by a minimum of four councillors via e-mail or if approved via the Scheme of Delegated Powers.</li> <li>• The RFO does not process salary payments for the RFO, which is processed by the Councillor with Financial responsibility.</li> <li>• The RFO maintains control of the cheque book.</li> <li>• Cheques must be signed by two members, from the list on the Bank Mandate.</li> <li>• Invoices paid are numbered and the same number entered on the cash book statement for cross reference purposes.</li> <li>• The cheque number used to settle an invoice and the date it was signed are entered on the invoice for cross reference purposes.</li> <li>• RFO is authorised to make transfers between the main account and the 2<sup>nd</sup> account once approved via Full Parish Council meeting, or if approved via the Scheme of Delegated Powers.</li> </ul>

VAT repayment claims	<ul style="list-style-type: none"> <li>• RFO ensures all invoices are addressed to the Parish Council.</li> <li>• RFO ensures proper VAT invoices are received where VAT is payable.</li> <li>• RFO maintains a VAT account to show that the correct amount of VAT is reclaimed in the year.</li> <li>• VAT account is checked and agreed by the Internal Auditor during the Year End and Annual Return Audit and then submitted to the full Parish Council meeting for approval prior to submission to HMRC.</li> <li>• VAT return is made on an annual basis.</li> </ul>
Income controls	<ul style="list-style-type: none"> <li>• RFO ensures that amount of the precept received is correct in accordance with the precept request sent to Milton Keynes Council.</li> <li>• RFO ensures that the precept instalments are received when due.</li> <li>• RFO ensures that other receipts (deposit interest, room hire etc) are received when due and correctly calculated.</li> <li>• Income is banked promptly.</li> <li>• RFO reports all income received on the cash book statement which is submitted for approval at each full Parish Council meeting.</li> </ul>
Financial reporting	<ul style="list-style-type: none"> <li>• A summary of the cash book statement spreadsheet, comparing actual expenditure to the budget and the prior year is presented at each full Parish Council and minuted as such.</li> <li>• The cash book spreadsheet includes committed expenditure to inform the Parish Council what has already been committed and how this compares to the budget and year end projection. Committed expenditure for whole year agreed at start of year. Summary of expenditure reported at each meeting including 10% variances and any new expenditure.</li> </ul>
Budgetary controls	<ul style="list-style-type: none"> <li>• The budget is prepared in consultation with the Parish Council, as evidenced by reports and minutes in advance of the start of the new financial year.</li> <li>• The precept is set on the basis of the budget by the deadline set by Milton Keynes Council.</li> </ul>
Payroll controls	<ul style="list-style-type: none"> <li>• Staff are under PAYE as employees.</li> <li>• Salaries are agreed by the Full Council within the payscales to which staff are appointed and a minute is prepared to show the resolution.</li> <li>• RFO will submit a monthly time sheet of hours completed and this is signed off by the Chair and Councillor with Finance Portfolio. Cleaner submits a monthly time sheet. Village Hall Management Committee sign off payments.</li> <li>• Salaries are paid by CVS Northampton. Employees salaries are made by BACS transfer and is carried out by the Councillor with Finance Portfolio. CVS then make the payment to the employees.</li> <li>• CVS make all relevant NI payments to HRMC and provide the Parish Council with monthly statements of payments made.</li> <li>• RFO and Councillor with Finance Portfolio ensure each month all necessary payroll returns are made by the payroll provider and retain the evidence this has been done for audit at the Year End process.</li> </ul>
Office and Clerk expenses	<ul style="list-style-type: none"> <li>• Clerk/Responsible Finance Officer submits a request for reimbursement of monies owing by way of an expenses form, in advance of each full parish council meeting.</li> <li>• Expenses cover a utilities contribution towards the cost of maintaining an office at the Clerks/RFO home and any other out of pocket expenses, for example stationery, as well as motoring expenses, as laid down by joint SLCC/NALC guidelines.</li> <li>• Expenses paid by BACS and the expenses sheet treated as an invoice for accounting purposes.</li> </ul>
Asset Control	<ul style="list-style-type: none"> <li>• The RFO maintains a full asset register.</li> <li>• The existence and condition of assets is checked annually by either the Clerk/RFO and/or a member of the Parish Council and submitted to the Parish Council for approval prior to being submitted with the Annual Return.</li> </ul>

	<ul style="list-style-type: none"> <li>• The Asset Register is publicised on the Parish Council website.</li> </ul>
Parish Council and Village Hall Insurance Controls	<ul style="list-style-type: none"> <li>• The adequacy of insurance of the Parish Council's assets is considered annually in advance of the insurance renewal.</li> </ul>
Grant Aid Controls	<ul style="list-style-type: none"> <li>• Guidance and a form is provided to all applicants indicating the financial information required to support a Grant Aid application. This information is available on the Parish Council website.</li> <li>• RFO checks all relevant information is provided to support the grant and request any missing information from the applicant.</li> <li>• Grants will be approved in a timely way either: <ul style="list-style-type: none"> <li>• At the next appropriate full Parish Council meeting, or</li> <li>• through the delegated scheme. If through the delegated scheme the decision will be minuted at the next full Parish Council.</li> </ul> </li> <li>• Approval or decline of the grant is minuted.</li> <li>• The applicant is informed by e-mail of the decision.</li> <li>• Applicants of approved grants are asked to confirm again acceptance of the Terms and Conditions of the Grant and the financial requirements listed for completing the Grant.</li> <li>• Where the grant applicant is a group or an organisation and has a bank account the money agreed is transferred to the account after approval, either at full Parish Council meeting or through Delegated Powers. The applicant is asked to confirm receipt of the BACs transfer.</li> <li>• Within one month of completion of the grant event, the applicant must submit a financial statement with invoices/receipts detailing the amount spent. The RFO will check and report to the next appropriate full Parish Council meeting.</li> <li>• Applicants are informed at approval that any unspent money must be returned to the Parish Council. RFO will liaise with applicant if this is the case.</li> <li>• Where a grant application is made by individuals and not a group, the present process is to remunerate the applicant after the event. On receipt of a financial statement with invoices/receipts etc, the RFO will check all is correct and by e-mail inform the Councillors and request approval to make the payment to the individual's bank account. Approval must be a minim of four Councillors.</li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>• The Parish Council has appointed an independent internal auditor who provides a full report to the Council on its: <ul style="list-style-type: none"> <li>• Records</li> <li>• Procedures</li> <li>• System</li> <li>• Internal controls</li> <li>• Regulations</li> </ul> </li> <li>• The effectiveness of the internal audit system is reviewed annually.</li> </ul>
External Audit	<ul style="list-style-type: none"> <li>• The Parish Council submits an annual audit return to the external auditor appointed within the timescales stated.</li> </ul>
Review of Effectiveness	<ul style="list-style-type: none"> <li>• The Parish Council has responsibility for conducting an annual review of the effectiveness of the system of internal control. The review is informed by the work of: <ul style="list-style-type: none"> <li>• The full Council.</li> <li>• The Clerk/Responsible Finance Officer who has responsibility for the development and maintenance of the internal controls environment.</li> <li>• The independent auditor who reviews the councils system of internal control.</li> <li>• The Council's external auditor, who checks the annual audit return.</li> <li>• The number of significant issues that are raised during the year or via the internal/external audit findings.</li> </ul> </li> </ul>