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## SIMPSON AND ASHLAND PARISH COUNCIL

### Statement of Internal Control

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Reviewed and approved March 2023

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#### 1. Overview

- a) 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.”
- b) 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.
- c) 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.
- d) 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.
- e) This Statement of Internal Controls supplements the Transparency Code.

#### 2. Recommendation

- a) 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.

### **3. Statement of Internal Control**

#### **a) Cash Book/Bank Reconciliations**

- i) The Parish Council operates a receipts and payments (cash book) accounting system, which is kept electronically and maintained up to date from original documents (invoice payments, BACS and receipts).
- ii) Transactions are undertaken via Bank transfers (BACS).
- iii) The cash book is reconciled to the bank statement monthly.
- iv) The Responsible Finance Officer and the Councillor with Financial responsibility carry out a final check before presenting to the quarterly parish meeting for approval.
- v) The latest financial position and movements on the Council's receipts, payments and balances is reported at each council meeting and can be traced back to the expenditure approved in the previous meetings via the minutes.
- vi) Requests for work/and or expenditure from the sub-groups is brought to each Parish Council meeting for approval and minuted.
- vii) The Financial Report, once approved at the Parish Council meeting is published on the website for public access.

#### **b) Financial Regulations**

- i) The Parish Council has adopted Financial Regulations based on the NALC model.
- ii) 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.

#### **c) Order/Tender controls**

- i) 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.
- ii) Official e-mail orders/letters are sent to suppliers for services which are not regular in nature.
- iii) 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.

#### **d) Legal Powers**

- i) A proper legal power is identified in advance of any expenditure.

#### **e) Payment controls**

- i) RFO checks invoice calculations for accuracy.
- ii) Purchase orders/letters/e-mails ordering the work are matched to purchase invoices where applicable.
- iii) 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.
- iv) Where work has been requested in between Full Parish Council meetings, authorisation by e-mail is required by a minimum of four councillors. Payment is reported at the next full parish meeting.
- v) The Parish Council Bank accounts have a Bank Mandate. The Bank Mandate is reviewed and amended when there are changes to personnel.

- vi) 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.
- vii) RFO is authorised to make transfers between the main account, the savings account and the village hall account once approved via Full Parish Council meeting.

**f) VAT repayment claims**

- i) RFO ensures all invoices are addressed to the Parish Council.
- ii) RFO ensures proper VAT invoices are received where VAT is payable.
- iii) RFO maintains a VAT account to show that the correct amount of VAT is reclaimed in the year.
- iv) VAT return is made on an annual basis.

**g) Income controls**

- i) RFO ensures that amount of the precept received is correct in accordance with the precept request sent to Milton Keynes Council.
- ii) RFO ensures that the precept instalments are received when due.
- iii) RFO ensures that other receipts (deposit interest, room hire etc) are received when due and correctly calculated.
- iv) Income is banked promptly.
- v) RFO reports all income received on the cash book statement which is submitted for approval at each full Parish Council meeting.

**h) Financial reporting**

- i) The summary report, comparing actual expenditure to the budget and the prior year is presented at each full Parish Council and minuted as such.
- ii) The summary report 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 up to the next parish council meeting is submitted for approval and minuted as such.

**i) Budgetary controls**

- i) 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.
- ii) The precept is set on the basis of the budget by the deadline set by Milton Keynes Council.

**j) Payroll Controls**

- i) Staff are under PAYE as employees.
- ii) Salaries are agreed by the Full Council within the payscales to which staff are appointed and a minute is prepared to show the resolution.
- iii) RFO will submit a monthly time sheet of hours completed and this is signed off by the Chair and Councillor with Financial responsibility.
- iv) Salaries are paid by CVS Northampton. RFO salary and cleaner salary are made by BACS transfer to CVS. CVS then make the payment to the officer.
- v) CVS make all relevant NI payments to HRMC and provide the Parish Council with monthly statements of payments made.

- vi) 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.

**k) Office and Clerk expenses**

- i) 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.
- ii) Expenses paid by BACS and the expenses sheet treated as an invoice for accounting purposes.

**l) Asset Control**

- i) The RFO maintains a full asset register.
- ii) 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.
- iii) The Asset Register is publicised on the Parish Council website.

**m) Insurance Controls**

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

**n) Grant Aid Controls**

- i) 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.
- ii) RFO checks all relevant information is provided to support the grant and request any missing information from the applicant.
- iii) Grants will be approved in a timely way either:
  - (1) at the next appropriate full Parish Council meeting, or
  - (2) through the delegated scheme. If through the delegated scheme the decision will be minuted at the next full Parish Council.
- iv) Approval or decline of the grant is minuted.
- v) The applicant is informed by e-mail of the decision.
- vi) 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.
- vii) 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.
- viii) 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.
- ix) 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.

**o) Internal Audit**

- i) The Parish Council has appointed an independent internal auditor who provides a full report to the Council on its:

- (1) Records
  - (2) Procedures
  - (3) System
  - (4) Internal controls
  - (5) Regulations
- ii) The effectiveness of the internal audit system is reviewed annually.

**p) External Audit**

- i) The Parish Council submits an annual audit return to the external auditor appointed within the timescales stated.

**q) Review of Effectiveness**

- i) 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:
- (1) The full Council.
  - (2) The Clerk/Responsible Finance Officer who has responsibility for the development and maintenance of the internal control's environment.
  - (3) The independent auditor who reviews the council's system of internal control.
  - (4) The Council's external auditor, who checks the annual audit return.
  - (5) The number of significant issues that are raised during the year or via the internal/external audit findings.