

BRASTED PARISH COUNCIL

Statement of Internal Control and Annual Review of Effectiveness of Internal Control

OVERVIEW

The Accounts and Audit (England) Regulations 2003 and 2011 impose 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”.

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.

This statement intends to provide clarity on the internal control system in order for the Parish Council to review the effectiveness.

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.

RECOMMENDATION

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: PB Thomas – Clerk & RFO October 2014

The following statement of internal control was considered by Brasted Parish Council at its Meeting on 15 December 2014 and approved by the council as a true statement of the course of events undertaken by the Clerk/RFO.

Statement of Internal Control and Annual Review of Effectiveness of Internal Control

1. Cash Book/Bank Reconciliations

- The cash book is kept electronically and maintained up to date from original documents (cash received, invoices, payments, BACs, Standing Orders and Direct Debits made and cheques as they are prepared),
- The cash book is reconciled to the bank statement at least monthly,
- The latest financial position and movements on the Parish Council's cash balances are reported at each council meeting and can be traced back to the expenditure approved in the previous meeting,
- The bank reconciliation is reported to the Finance Committee and minuted as such in accordance with the Financial Regulations,
- The cash books, payments and receipts and bank reconciliation is reviewed and approved by members of the Parish Council, with reference to the underlying records at least annually.

2. Financial Regulations

- The Parish Council has adopted financial regulations based on the model version prepared by NALC/SLCC. The regulations are reviewed annually for continued relevance and amended where necessary by the Responsible Financial Officer (RFO) with any proposed amendments subject to approval by the Parish Council 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,
Orders are confirmed by email or letter to suppliers for services which are not regular in nature.

3. Legal Powers

- The Parish Council uses its power under the Localism Act 2011, Section 1 – General Power of Competence Order 2012.

4. Payment Controls

- Depending on the nature of the supply, the Clerk/RFO signs 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,
- Cheque payments will be listed in cheque number order in the cash books and in accounts files,
- Every payment has a unique sequential transaction number which is matched to the payment invoice and the corresponding transaction on the bank statement,

- All invoices for payment are listed and presented at the Council Meeting or meeting of a Delegated Committee. The expenditure is to be authorised for payment,
- Payments made are listed, on a separate sheet and reported in the minutes of the meeting,
- Original invoices are available to the Councillors signing the cheques or authorising BACS payments,
- All payments will be authorised by two Councillors, who are on the council's bank mandate,
- The council has an online banking system in place for the purpose of viewing statements authorising BACs payments and transferring funds between accounts,
- The RFO is authorised to transfer funds from one account to another in accordance with the Financial Regulations, but not to make third party payments outside of the bank accounts in any form,
- All third party BACs payments out of the bank account must be authorised by two mandated officers,
- The RFO maintains control of the cheque book at all times; cheques will only be issued and signed for payments approved in Council meetings,
- 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 on the bank statement,
- When invoices are paid by cheque, they are identified by the cheque number and referenced in the cashbook by the cheques number, as well by the unique identifier. This is cross checked with the bank statements.

5. VAT Repayment Claims

- The RFO ensures that all invoices are addressed to the Parish Council,
- The RFO ensures that proper VAT invoices are received where VAT is payable.

6. Income Controls

- The RFO ensures that amount of the precept received is correct in accordance with the precept request sent to the District Council,
- The RFO ensures that the precept instalments are received when due,
- The RFO ensures that other receipts (deposit interest, allotment and land rents) are received when due and correctly calculated,
- Receipts are issued for cash received. Receipt numbers are recorded against payments,
- Income is banked promptly.

7. Financial Reporting

- A Budget control, comparing actual receipts and payments to the budget and the previous year is prepared on at least a monthly basis and presented to the Parish Council.

8. Statement of Internal Control and Annual Review of Effectiveness of Internal Control

- The budget is prepared in consultation with the Parish Council, as evidenced by reports and minutes in advance of the start of the year,
- The precept is set on the basis of the budget by the deadline set by Sevenoaks District Council.

9. Payroll Controls

- The Clerk is paid under PAYE as an employee and the necessary system for HMRC RTI is in place,
- The Clerk's salary is set as per their contract,
- The salary is paid by Standing Order,
- The Clerk will ensure that all the necessary payroll returns are made to HMRC and will retain evidence that this has been done.

10. Office and Clerk's Expenses

- The clerk submits a request for reimbursement of monies owing by way of an invoice to each meeting,
- Expenses are paid by cheques or BACs .

11. Asset Control

- The RFO maintains a full asset register,
- The existence and condition of assets is checked on an annual basis by members of the Parish Council,
- The adequacy of insurance of the Parish Council's assets is considered annually in advance of the insurance renewal.

12. Internal Audit:

- The Council has appointed an Independent Internal Auditor who reports to the Council on the adequacy of its:
 - records
 - procedures
 - systems
 - internal control
 - regulations
 - risk management

- reviews
- The effectiveness of the internal audit system is reviewed annually.

13. External Audit:

The Council's External Auditors, PKF Littlejohn LLP, submit an annual Certificate of Audit, which is presented to the Council.

14. Review of Effectiveness

The Council has responsibility for conducting an annual review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of:

- the full Council,
- the Clerk to the Council / Responsible Financial Officer who has responsibility for the development and maintenance of the internal control environment and managing risks,
- the independent Internal Auditor who reviews the Council's system of internal control,
- the Council's external auditors, who make the final check using the Annual Return, a form completed and signed by the Responsible Financial Officer, the Chairman and the Internal Auditor,
- the number of significant issues that are raised during the year.