

# STATEMENT OF INTERNAL CONTROL AND ANNUAL REVIEW OF EFFECTIVENESS OF INTERNAL CONTROL & INTERNAL AUDIT

## Cringleford Parish Council

Regulation 4 of the Accounts and Audit Regulations, 2003 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”.

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.

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. Some internal controls are listed in the Financial Regulations document, but the system of controls goes beyond this.

The Internal Controls are considered by the internal auditor as part of their annual inspection. The internal audit is one of the key internal controls as it evaluates the effectiveness of Cringleford Parish Council’s accounting, risk management, control and governance processes.

### Cash Book/Bank Reconciliations

- The cash book is kept electronically, maintained up to date from original documents (cash received, invoices, payments and direct debits made and cheques as they are prepared).
- The cash book is reconciled to the bank statement monthly.
- A summary sheet with budget against actual expenditure and income is presented at each Parish Council meeting for reference. This is signed by the Chairman and filed as part of the minutes.
- The payments and receipts are reviewed and approved at each Parish Council meeting. The bank reconciliation for the current account is circulated by email before every full Parish Council meeting and noted at Council. Other accounts are reconciled at least annually.
- All BACS payments are reported at each council before they are made unless the Responsible Finance Officer (RFO) has dispensation to make the payment outside the meeting in which case it will be reported at the first meeting after the payment is made (Financial Regulations 4.1 and 4.6). Direct debits are taken when required, and reported at the next meeting.

### 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.
- The general Risk Assessment, containing financial risks, is reviewed quarterly by the Finance Advisory Group.
- Official orders are sent to suppliers for services which are not regular in nature, usually by email.

## **Payment Controls**

- Purchase orders/emails/letters ordering the work are matched to purchase invoices where applicable.
- Payments will be listed in the cash books and in accounts files.
- All invoices for payment are listed, with the list presented at the Council meeting. The expenditure is authorised for payment by a resolution.
- Payments made are listed with the minutes of the meeting as an attachment.
- Cheques will be signed by two signatories, who are authorised to sign on the council's bank mandate.
- The RFO maintains control of the cheque book at all times, cheques will only be issued and signed for payments approved in Council meetings, unless an urgent situation arises (Financial Regulation 6.6).
- When invoices are paid by cheque, they are identified by the cheque number and referenced in the cashbook by the cheques number. This is cross checked with the bank statements.
- Where payments are made by cheque, DD, BACS or standing order, original invoices are available at physical meetings for Councillors to initial if requested.
- Each month a designated Councillor carries out a check of the current account statement and matches all payments to the monthly payment list from the cashbook.
- BACS payments are uploaded to the bank website by the parish clerk or assistant parish clerk and are authorised online by two signatories the day after the Council meeting.

## **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.
- The RFO maintains a VAT account to show that the correct amount of VAT is reclaimed in the year.
- The RFO reclaims the VAT from HMRC quarterly.

## **Income Controls**

- The RFO ensures that the amount of the precept received is correct in accordance with the precept request sent to the District Council.
- The RFO ensures that the precept installments are received when due.
- The RFO, assisted by other staff, ensures that other receipts are received when due and correctly calculated.
- Receipts are issued for cash received.
- Income is banked promptly.

## **Financial Reporting**

- A budget control, comparing actual receipts and payments to the budget, is prepared on a monthly basis and presented to the Parish Council at every meeting.
- The budget is prepared in consultation with the Parish Council.

## **Payroll Controls**

- All staff are paid under PAYE as employees and the necessary system for HMRC RTI is in place.
- All salaries are set in staff contracts.
- The Clerk will ensure that all the necessary payroll returns are made to HMRC and will retain evidence that this has been done.
- All Workplace Pensions regulations are adhered to by the Clerk and reported to the Financial Advisory Group.

## **Staff Expenses**

- Staff submit a request for reimbursement of monies owing by way of an expense list when required
- Expenses are paid by BACS and the expense list treated as an invoice for accounting purposes.

## **Purchase Card**

- The corporate purchase card issued is specifically restricted to the Clerk's use and is restricted to a single transaction maximum value of £1500 [in line with financial regulation 6.16] unless authorised by Council via email or at a meeting before any order is placed, or unless an urgent situation arises (Financial Regulation 6.16).
- Transactions and purchases made will be reported to the Council at each meeting within the monthly accounts. The statement will be fully reconciled each month and paid in full each month by direct debit.

## **Asset Control**

- The RFO maintains a full asset register.
- The adequacy of insurance of the Parish Council's assets is considered annually in advance of the insurance renewal.
- New assets are reported promptly to the insurance company.

## **Table Tennis**

- Cash deposits are taken if parishioners hire out bats / balls. A receipt is given to the hirer which is taken back when the deposit is returned.

## **Effectiveness of Internal Audit**

- Appointment and Scope- The Internal Auditor is appointed annually by full Council. There are no limitations to the Internal Auditor's scope of activities, which allows for unrestricted access of the CPCs activities, including both financial and non-financial systems of internal control. The Internal Audit shall, as a minimum, cover areas which will provide a test of key controls in order to provide assurances that coverage has been met.
- Independence - The Internal Auditor should be independent of the Council and should not have any involvement in, or responsibility for, the financial decision making, management or control of the Council, or with the Councils financial controls and procedures. The Internal Auditor should have direct access to those charged with governance (Clerk/RFO and Councillors where requested) during the Internal Audit. Reports should be made in the Internal Auditor's own name to the Parish Council via the Clerk/RFO.
- Competence - There is no requirement for the Internal Auditor to be professionally qualified, but essential competencies are required for example: understanding basic book keeping and accounting processes, understanding of the Internal Auditor role, awareness of relevant Risk Management, understanding the proper practice in relation to governance and accounting.
- Reporting - The duties of the Internal Auditor relate to reporting on the adequacy and effectiveness of the Council's system of internal control and risk management. This should be met by the completion of the annual internal audit form report page in the AGAR. The Internal Auditor should also provide the Council via the Clerk/RFO a full report of any recommendations or items found. This report will be included on the next available Council meeting agenda for consideration and action.
- Each year, Council will consider the above requirements when appointing the Internal Auditor for the following financial year.