

STATEMENT OF INTERNAL MONITORING AND CONTROL



INTRODUCTION

- 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 governed by Financial Regulations and *Governance and Accountability: A Practitioners Guide*, but the system of controls goes beyond this. A Statement of Internal Controls has therefore been prepared as follows.

1. **Cash Book/Bank Reconciliations**

- a) The Cash Book is the register of all day to day payments and receipts and will run from 1 April to 31 March. This is the Council's primary financial record and the key document for internal monitoring procedures.
- b) An electronic cash book is maintained and kept up to date from original documents (dates, cash/income received, invoices, payments made and cheques as they are prepared.
- c) The cash book is reconciled to the bank statement at least monthly.
- d) The cash books, payments and receipts and bank reconciliation is reviewed and approved by a member of the Parish Council, nominated as internal control, with reference to the underlying records (bank statements and minutes plus copies of accounts papers etc.) at least quarterly.
- e) The bank reconciliation is reported to the full Parish Council and minuted as such on a quarterly basis.

2. **Financial Regulations**

- a) 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 with any proposed amendments subject to approval by the Parish Council.
- b) 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.
- c) Orders are placed by letters or email, and are sent to suppliers for services which are not regular in nature.

3. Legal Powers

- a) The Parish Council has adopted the General Power of Competence
- b) Where any expenditure is proposed which is not covered by the GPC, the legal power is identified in advance and such legal power is shown on the agenda and minutes
- c) The Council's eligibility to exercise the GPC will be reviewed at its first meeting after Ordinary Elections.

4. Payment Controls

- a) Depending on the nature of the supply, the 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.
- b) Purchase orders/emails/letters ordering the work are matched to purchase invoices where applicable.
- c) Payments will be listed in cheque number order in the cash books and in accounts files.
- d) Every payment has a unique sequential transaction number which is matched to the payment invoice and the corresponding transaction on the bank statement.
- e) All invoices for payment are listed on the meeting agenda where the expenditure is to be authorised for payment.
- f) Payments made are listed in the minutes of the meeting
- g) Original invoices are available to the Councillors signing the cheques or authorising BACS payments
- h) Cheques will be signed by any two of the four councillors who are authorised to sign, as shown on the council's bank mandate.
- i) The council has an online banking system in place. There is a login procedure involving a password known only to the Parish Manager and Assistant Parish Manager followed with a randomised system that changes at every login.
- j) The RFO is authorised to set up bank payments online. The RFO is not an authorised signatory. Every online bank payment requires 2 signatories.
- k) Two members of the council are authorised to approve online bank payments. They cannot set up bank payments, only authorise them.
- l) The RFO is authorised to transfer funds from one account to another, but not to make third party payments outside of the bank accounts in any form.
- m) The RFO maintains control of the cheque book at all times, cheques will only be issued and signed for payments approved in Council meetings and the RFO is not a signatory to the bank accounts.

- n) 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 in ink.
- o) When invoices are paid by cheque, they are with identified by the cheque number and referenced in the cashbook by the cheque number, as well by the unique identifier. This is cross checked with the bank statements.
- p) When invoices are paid by online banking, they are identified by the unique identifier which is cross checked with the bank statements.
- q) The minute number of the minute authorising bank payments or cheques is detailed on each invoice.

5. Payments Made Under Section 137

- a) A separate s137 account is maintained.
- b) The RFO calculates the maximum amount of s137 expenditure able to be made each year and ensures that it is not exceeded .
- c) The RFO confirms to the Parish Council when expenditure is considered either by reference to a specific budget for that payment or to the amount of unspent s137 money available.
- d) Where requests for expenditure from s137 are made this is made clear on the meeting agendas where the payment is to be approved.
- e) Allocating expenditure to the S137 Account cannot be applied retrospectively
- f) A minute authorising expenditure from s137 is recorded.

6. VAT Repayment Claims

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

7. Income Controls

- a) The decision on the amount of the precept is made at a meeting of the whole council and is minuted accordingly. This power cannot be delegated.
- b) The RFO ensures that amount of the precept received when due and is correct in accordance with the precept request sent to the District Council.
- c) The RFO ensures that other receipts (deposit interest, allotment and land rents) are received when due and correctly calculated
- d) Receipts are issued for cash received and a copy kept.
- e) Income is banked promptly.

8. Financial Reporting/Budget

- a) As a budget control a receipts and payments summary, comparing actual receipts and payments to the budget and the previous year is prepared on a quarterly basis, presented to the Parish Council in advance of the meeting and minuted.
- b) The budget is drafted by the RFO and placed before the Parish Council for adoption with or without amendment. Such decisions are recorded in the minutes. The budget report includes previous financial year's actual outturn, actual receipts and payments to date, earmarked reserves/contingencies and the anticipated outturn to the end of the financial year

9. Payroll Controls

- a) Staff are paid under PAYE as employees and the necessary system for HMRC RTI is in place.
- b) Staff salaries are set by the Council and minuted.
- c) The salaries are paid by cheque
- d) The RFO will ensure that all the necessary payroll returns are made to HMRC and will retain evidence that this has been done.

10. Office and Parish Manager's Expenses

- a) The Parish Manager submits requests for reimbursement of monies owing in respect of postages, stationery and any other out of pocket expenses together with motoring expenses, as laid down by joint SLCC/NALC guidelines.
- b) Expenses are paid by cheque and the expense sheet treated as an invoice for accounting purposes.

11. Asset and Investment Control

- a) The RFO maintains a full asset and investment (if appropriate) register, including any disposals during the financial year
- b) The RFO maintains a separate inventory list for items with a value of less than £250
- c) The existence and condition of assets is checked on a regular basis, not less than once every six months.
- d) In the case of land and property subject to the NWLDC Management Agreement, this responsibility is carried out by them on the Parish Council's behalf.
- e) The adequacy of insurance of the Parish Council's assets is considered annually in advance of the insurance renewal.

Note: Any reference to receipts and payments, and income and expenditure, shall be taken to have the same meaning for the purpose of this statement.