

# PALGRAVE PARISH COUNCIL

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

### SCOPE OF RESPONSIBILITY

Accounts and Audit Regulations impose a duty on a local council to ensure "that the financial management of the body is adequate and effective and that the body has a sound system of internal control". Palgrave Parish Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council is responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

### THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

### THE INTERNAL CONTROL ENVIRONMENT

#### The Council:

The council reviews its obligations and objectives and approves budgets for the following year at its January meeting. The January meeting of the council approves the level of precept for the following financial year.

The council meets monthly (with the exception of August) and monitors progress against its aims and objectives regularly by receiving relevant reports from the Clerk.

The council carries out regular reviews of its internal controls, systems and procedures. See table below.

#### Clerk /Responsible Financial Officer:

The Council has appointed a Clerk to the Council who acts as the Council's advisor and administrator. The Clerk is the Council's Responsible Financial Officer and is responsible for administering the Council's finances. The Clerk is responsible for advising on the day to day compliance with laws and regulations that the Council is subject to and for managing risks. The Clerk also provides advice to help the Council ensure that its procedures, control systems and policies are adhered to.

#### Risk Assessments/Risk Management:

The council reviews its risk assessment annually and regularly reviews its systems and controls.

### REVIEW OF EFFECTIVENESS

The council has responsibility for conducting an annual review of the effectiveness of the system of internal control, which should include a review of the effectiveness of internal audit. The results of that review must be considered by the Council, which should also approve the Statement of Internal Control



Chairman



RFO/Clerk

11 March 2021

Date

Originally approved & adopted by Palgrave Parish Council in March 2017. Reviewed June 2020. Reviewed March 2021



## STATEMENT OF INTERNAL CONTROL

<b>CASH BOOK / BANK RECONCILIATIONS</b>	<p>The cash book is kept electronically in spreadsheet format, and kept up to date from original documents – receipts, invoices, payments.</p> <p>The cash book is reconciled to the bank statement in preparation of every Parish Council meeting. A bank reconciliation is presented at each Parish Council meeting. The balances reported can be traced back to the expenditure approved in the previous meeting via the minutes.</p> <p>The cash book, bank statements and payments and receipts are reviewed by a member of the Parish Council on a rotation basis.</p>
<b>FINANCIAL REGULATIONS</b>	<p>The Parish Council has adopted Financial Regulations based on the NALC model. The regulations are reviewed for continued relevance and amended where necessary via approval by the Parish Council.</p>
<b>ORDER / TENDER CONTROL</b>	<p>Financial Regulations refer for procedures relating to tenders.</p>
<b>LEGAL POWER</b>	<p>A proper legal power is identified for each expenditure.</p>
<b>PAYMENT CONTROLS</b>	<p>The Parish Council adopted internet banking in 2020.</p> <p>All payments are reported to the council for approval via the agenda.</p> <p>Two members of the council must sign the Schedule of Payments prior to any payment being made. Where cheques are issued, the signatories should consider each cheque against the relevant invoice, sign the invoice and initial the cheque counterfoil.</p> <p>All authorised cheque and internet banking signatories are members of the Council.</p> <p>No officer of the Council can sign cheques.</p> <p>Payments are listed in the minutes of the meeting.</p> <p>The Clerk maintains control of the cheque book at all times.</p> <p>Payments will only be issued and signed for payments approved in Council meetings or where urgent payment is required, a payment can be made provided it is a regular annual payment such as subscriptions, insurance etc or the payment is due before the next meeting of the Parish Council.</p> <p>The minute number of the minute authorising payment are recorded on the electronic cash book.</p>
<b>PAYMENTS MADE UNDER SEC. 137 of the LGA 1972</b>	<p>A separate record of s137 payments is kept.</p> <p>The Clerk calculates the maximum amount of s137 expenditure able to be made each year and ensures it is not exceeded.</p> <p>The proper minute authorising expenditure from s137 is prepared on each occasion.</p>
<b>VAT RECLAIMS</b>	<p>The Clerk ensures that all invoices are addressed to the Parish Council.</p> <p>The Clerk maintains a VAT account &amp; ensures that the correct amount of VAT is reclaimed in the year.</p>
<b>INCOME CONTROLS</b>	<p>All income is received and banked in the council's name in a timely manner &amp; reported to the council.</p> <p>The Clerk ensures that the amount of precept received is correct in accordance with the precept request sent to the District Council.</p> <p>The Clerk ensures that the precept instalments are received when due.</p>
<b>FINANCIAL REPORTING</b>	<p>A budget control, comparing actual receipts and payments to the budget is prepared and presented to the Council quarterly and recorded in the minutes.</p>
<b>BUDGETARY CONTROLS</b>	<p>The budget is prepared in consultation with the full Council, as evidenced by reports and minutes in advance of the start of the financial year.</p> <p>The Precept request is submitted by the deadline dictated by the District Council.</p>
<b>PAYROLL CONTROLS</b>	<p>The Clerk is paid under PAYE as an employee of the Council and the necessary system for making payments to HMRC is in place.</p> <p>The Clerk's salary is set by the Council and a minute is prepared to show the agreed salary scale.</p> <p>The Clerk ensures that the necessary payroll returns are made to HMRC and retains evidence to this effect.</p>
<b>OFFICE AND CLERK'S EXPENSES</b>	<p>The Clerk submits a request for reimbursement of monies owing by way of an expense sheet in advance of the meeting and detailed on the agenda.</p> <p>The expenses cover a contribution towards the cost of maintaining an office at the Clerk's home and any out of pocket expenses as well as travel expenses as laid down by the joint SLCC/NALC guidelines.</p> <p>The expense sheet is treated as an invoice for accounting purposes.</p>
<b>ASSET CONTROL</b>	<p>The Clerk maintains the full asset register.</p> <p>The existence and conditions of assets is checked on annual basis by the Parish Council.</p> <p>The adequacy of insurance of the Parish Council's assets is reviewed annually in advance of its renewal.</p>
<b>INTERNAL AUDIT</b>	<p>The council annually appoints an independent internal auditor who provides a full report to the council on Records, Procedures, Systems, Internal control, Regulations, Risk management. The internal auditor will plan &amp; carry out the work necessary to give the assurances called for in Section 4 of the Local Councils Annual Return. The Parish Council annually reviews the auditor's scope of work.</p>
<b>EXTERNAL AUDIT</b>	<p>The Council submits an annual return to the external auditor appointed by the Audit Commission in a timely manner. This process was reviewed by the Audit Commission in 2018.</p>
<b>COMMUNITY INFRASTRUCTURE PAYMENTS</b>	<p>The Clerk will prepare an accounting statement for receipt of CIL payments as outlined in the District Council guidance. Receipt of payments will be recorded at Parish Council meetings (and in minutes) and due regard will be given to appropriate spending of CIL monies.</p>