

STATEMENT OF INTERNAL CONTROL AND ANNUAL REVIEW OF EFFECTIVENESS OF INTERNAL CONTROL

1.0 Overview

- 1.1 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."
- 1.2 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.
- 1.3 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.
- 1.4 Some internal controls are listed in the Financial Regulations document, but the system of controls goes beyond this. A Statement of Internal Control has therefore been prepared and this is included following this report.

2.0 Recommendation

2.1 That the Parish Council consider the attached Statement of Internal Control, reviewing it to consider whether the controls currently in place are effective.

The following statement of internal control was considered by Waltham on the Wolds and Thorpe Arnold Parish Council's meeting on :

Clerk _____ Chair _____

Date _____

And approved by the Parish Council as a true statement of the course of events undertaken by the Clerk/RFO.

_____ Chair

_____ Date

STATEMENT OF INTERNAL CONTROL

Cash Book/Bank Reconciliations

- The cash book is kept electronically (in accounts software), maintained up to date from original documents (cash received, invoices, payments (s/o or dd) made and cheques as they are prepared).
- The cash book is reconciled to the bank statement monthly.
- Reconciled accounts are presented in advance of each Parish Council meeting for reference.
- The cash books, payments and receipts and bank reconciliation are 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.) monthly.
- The bank reconciliation is reported to the full Parish Council and minuted as such.
- 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 via the minutes.

Waltham on the Wolds and Thorpe Arnold does not use a cash book at this present time.

Financial Regulations

- The Parish Council has adopted Financial Regulations, based on the model version prepared by NALC. 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 Order/Tender 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.
- Official purchase orders/letters are sent to suppliers for services which are not regular in nature.

Legal Powers

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

Payment Controls

- 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.
- Purchase orders/emails/letters ordering the work are matched to purchase invoices where applicable.
- 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 a report is enclosed in the agenda packs in readiness for the Council meeting.

- Payments made are produced by way of a report and recorded as approved in the minutes of the meeting.
- Original invoices are available to the Councillors signing the cheques or authorising BACS payments
- Cheques will be signed by two Councillors, who are authorised to sign on the Council's bank mandate.
- The RFO is authorised to transfer funds from one account to another, relevant paperwork is submitted for 2 Councillors to sign relating to the reconciliation of the transferred amounts, and the RFO is not to make third party payments outside of the bank accounts in any form.
- 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.
- Every payment is identified by a sequential unique number. This number is used to identify the transaction in the payment's cashbook, the invoice and cross referenced on the bank statement in ink. This information is held electronically.
- When invoices are paid by cheque, they are identified by the cheque number and referenced in the cashbook by the cheque number, as well by the unique transaction number. This is cross checked with the bank statements.
- When invoices are paid by online banking, they are identified by the unique transaction number which is cross checked with the bank statements.

Payments Made Under Section 137

- Are recorded as above but can be identified separately for the convenience of any audit.

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.
- VAT claims are submitted periodically, usually every 6 months.

Income Controls

- The RFO ensures that amount of the precept received is correct in accordance with the precept request sent to the Borough 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 and a copy kept.
- Income is banked as required, although currently the Council does not deal with cash.

Financial Reporting

- A Budget control, 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 as such Budgetary controls.

- 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 Melton Borough Council.

Payroll Controls

- The Clerk is paid under PAYE as an employee and the PAYE Management is in place to ensure salary and tax calculations are accurate. HMRC RTI is in place.
- The Clerk's salary is set by the Council and a minute is prepared to show the agreed salary.
- The salary is paid by cheque.
- The Payroll Management Company ensure that all the necessary payroll returns are made to HMRC and will retain evidence that this has been done. Copies are also kept by the Parish Clerk.

Office and Clerk's Expenses

- The Clerk submits a request for reimbursement of monies owing by way of an expense account, in advance of each meeting.
- The expenses cover a contribution towards the cost of any out of pocket expenses as well as motoring expenses, as agreed.
- Expenses are paid by cheque.

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.

This document was adopted by the Council at its meeting held 19th August 2021.

Signed _____ Chair