

**GREAT GLEN PARISH COUNCIL**  
**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, 2015 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 Controls 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 Controls reviewing it to consider whether the controls currently in place are effective.

Prepared by: Lesley Sanderson, Clerk and RFO September 2020

The following statement of internal control was considered by Great Glen Parish Council at its meeting of 15 September 2020 and approved by the council as a true statement of the course of events undertaken by the clerk/RFO

Signature of Chairman:

Date:

## **Great Glen Parish Council Statement of Internal Control and Annual Review of Effectiveness of Internal Control**

### **2.0 STATEMENT OF INTERNAL CONTROL**

#### **Cash Book/Bank Reconciliations**

- The cash book is kept electronically (in spreadsheet format/accounts software), maintained up to date from original documents (cash received, invoices, payments(s/o) made and cheques as they are prepared).
- The cash book is reconciled to the bank statement at least monthly.
- Reconciled accounts are presented in advance of each Parish Council meeting for reference.
- 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 annually.
- 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.

#### **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 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 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. The legal power for expenditure is shown on the agenda and minutes for payments made.

#### **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 invoice reference number order in the cash books and in accounts files.
- Every invoice has a unique sequential transaction number which is matched to the payment and the corresponding transaction on the bank statement.
- All invoices for payment are listed on the meeting agenda where the expenditure is to be authorised for payment.
- Payments made are listed in the minutes of the meeting.
- Original invoices are available to the Councillors signing the cheques or authorising BACS payments.
- Cheques and BACS payments will be signed by two councillors, who are authorised to sign on the council's bank mandate.
- The council has an online banking system in place. There is a stringent login procedure to follow.
- The council has an online banking system in place. The RFO is authorised to set up bank payments online.
- The RFO is not an authorised signatory. Every online bank payment requires 2 signatories.
- Six (6) members of the council are authorised to approve online bank payments. They cannot set up bank payments, only authorise them.
- 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.
- 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 payments cashbook, the invoice and cross referenced on the bank statement in ink.
- 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 identifier. This is cross checked with the bank statements.
- When invoices are paid by online banking, they are identified by the unique identifier which is cross checked with the bank statements.

### **Payments Made Under Section 137**

- A separate s137 account is maintained.
- The RFO calculates the maximum amount of s137 expenditure able to be made each year and ensures that it is not exceeded –
- 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.
- Where requests for expenditure from s137 are made this is made clear on the meeting agendas where the payment is to be approved.
- The proper minute authorising expenditure from s137 is prepared on each occasion.

### **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.

### **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 and a copy kept.
- Income is banked promptly.

### **Financial Reporting**

- A Budget control, comparing actual receipts and payments to the budget and the previous year is prepared on at least 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 Harborough District Council.

### **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 by the Council and a minute is prepared to show the agreed salary.
- The salary is paid by BACS.
- The RFO will ensure that all the necessary payroll returns are made to HMRC and will retain evidence that this has been done.

### **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 covers any out of pocket expenses as well as motoring expenses, as laid down by joint SLCC/NALC guidelines.
- Expenses are paid by BACS and the expense sheet treated and paid with salary for accounting purposes.

### **Asset Control**

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