

BIRSTALL PARISH COUNCIL

Statement of Internal Control and Annual Review of Effectiveness of Internal Control

1.0 OVERVIEW

1.2 Part 2(3) Internal Control in the Accounts and Audit Regulations 2015 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."

1.3 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 their 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 in the following report.

2.0 RECOMMENDATION

2.1 That the Parish Council receive and review the attached Statement of Internal Controls to consider whether the controls currently in place are effective.

Prepared by: Sue Coulson - Clerk / RFO – 24 February 2020

The following Statement of Internal Control was received and reviewed at a meeting of the Management & Policy Committee on Monday, 2 March 2020.

DECLARATION

The following statement of internal control was considered and approved by the Parish Council as a true statement of the course of events undertaken by the Clerk / RFO at the Council meeting held on: 9 March 2020

_____ Chair

Councillor Ann Marshall

_____ Date

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STATEMENT OF INTERNAL CONTROL

Cash Book/Bank Reconciliations

The cash book is kept electronically (in bespoke accounts software), maintained up to date from original documents (cash received, invoices, payments (s/o's) made and cheques as they are prepared).

The cash book is reconciled to the bank statement monthly.

Mini-Audit: The cash books, payments and receipts and bank reconciliations 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.

Reconciled accounts are presented in advance of each Parish Council meeting for reference.

The bank reconciliation is reported to the full Parish Council signed 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 (where applicable).

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 Clerk/RFO with any proposed amendments subject to approval by the Parish Council.

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.

The Clerk / RFO is able to authorise expenditure up to £3,000 for emergency works or items below £500 in conjunction with the Chair and/or Vice Chair.

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 Clerk / 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 is reported to full Council.

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Payments made are produced by way of a report and recorded as approved in the minutes of the meeting.

Original Invoices are made available to Councillors signing the cheques or authorising the BACS payments

Cheques are 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 are stringent login procedures to follow with a randomised pass number system that changes at every login.

The Council has an online banking system in place. The Clerk / RFO is authorised to set up bank payments online. The Clerk / RFO is not an authorised signatory. Every online bank payment is pre-authorised by two signatories.

Two members of the council can authorise and approve bank payments. They cannot set up bank payments, only authorise and approve them.

The Clerk / RFO is authorised to transfer funds from one bank account to another, relevant paperwork is submitted for two Councillors to sign relating to the reconciliation of the transferred amounts, and The Clerk / RFO is not to make third party payments outside of the bank accounts in any form.

The Clerk / RFO maintain control of the cheque book. All expenditure is approved at Council meetings.

The Clerk / RFO is not a signatory to the bank accounts.

Every payment is identified by a sequential unique transaction number. This number is used to identify the transaction in the payment's cashbook, the invoice is cross referenced with 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 as 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 payment reference/transaction number which is cross checked with the bank statements.

Payments Made Under Section 137. What is Section 137?

“Section 137 expenditure enables local councils to spend a limited amount of money for purposes which they have no other specific statutory power.

This is not applicable to Birstall Parish Council whilst they still qualify to have the General Power of Competence (GPoC)

VAT Repayment Claims

The Clerk / RFO ensures that all invoices are correctly addressed to the Parish Council.

The Clerk / RFO ensures that proper VAT invoices are received where VAT is payable.

The Clerk / RFO maintains a VAT account to show that the correct amount of VAT is reclaimed in the year.

VAT claims are submitted digitally online using the unique GOV.UK Gateway Password.

VAT claims are submitted online monthly.

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Income Controls

The Clerk / RFO ensures that amount of the precept received is correct in accordance with the precept request sent to the Borough Council.

The Clerk / RFO ensures that the precept instalments are received when due and notifies the Council of the receipt.

The Clerk / RFO ensures that other receipts (deposit interest, allotment fees, land rents) are received when due and correctly calculated.

Receipts are issued for cash received and a copy kept.

Income is banked weekly.

Youth Café income - £1 session fees are collected from the young people that attend the sessions. The amount collected is cross referenced with the attendance list for the session.

The Youth Café purchases its own stock for the tuck shop, crafts and cooking sessions, all receipts are recorded on a running balance sheet, checked and signed off by two youth workers and the balance sheet with receipts is brought down to the office for checking and filing.

The Youth Café income is kept in a locked cash tin and the Senior Youth Worker holds the key. The cash tin is then in a locked cupboard in a locked office.

Each month, an internal mini audit is carried out by Councillors. The Youth Café balance sheet and receipts for the month is included in this mini audit.

Financial Reporting

A Budget control, comparing actual receipts and payments to the budget and the previous year is prepared on a monthly basis, and presented to the Parish Council in advance of the meeting and minuted as such Financial Budget Comparison controls.

The budget is prepared in consultation with the Management & Policy Committee (as per Committee Terms of Reference).

The Council receive the draft budget figures in December for consideration. The Final budget figures are brought back to the Council in January for decision. The minutes record the decision in advance of the start of the financial year.

The precept is set on the basis of the agreed budget and is submitted before the deadline date set by the precepting authority (Charnwood Borough Council).

Payroll Controls

All Employees are paid under PAYE and the required system for HMRC of RTI (Real Time Information) is in place.

All salaries are set by the Council and a minute is prepared to show the agreed monthly expenditure of the salaries on the Expenditure report sheets.

All salaries are paid by standing order directly into employee's bank accounts.

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The Clerk / RFO will ensure that all the necessary payroll returns are made to HMRC and will retain evidence that this has been done.

The Clerk / RFO will ensure that all the necessary pension payments are made to NEST and will retain evidence that this has been done.

Office and Clerk's Expenses

The Clerk / RFO 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 laid down by joint SLCC/NALC guidelines.

Expenses are approved by the Chair for the Clerk, and either paid through the petty cash system or the payroll.

Asset Control

The Clerk / RFO maintains a full asset register of items over £500.

The adequacy of insurance of the Parish Council's assets is considered annually in advance of the insurance renewal.