

# **EXNING PARISH COUNCIL**

## **INTERNAL CONTROL POLICY STATEMENT**

### **1. SCOPE OF RESPONSIBILITY**

The Accounts and Audit Regulations 2003 states that a Council shall be responsible for ensuring that its financial management is adequate and effective and that it has 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

Exning Parish Council (the 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. In discharging this overall responsibility, the Council is also 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.

### **2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

Internal control is designed to reduce financial risk to the Council

The system of internal control is designed to ensure that the Council's activities are carried out properly and as intended and to manage risk; reducing it to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims & objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. Internal controls are set up by the RFO but it falls on the Council members to ensure that they have a degree of control and understanding of those controls. Controls will include the checking of routine financial procedures, the examination of financial comparisons, the recording of assets, the identification of risk, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage risks efficiently, effectively and economically.

### **3. PERSONNEL INVOLVED WITH THE INTERNAL CONTROL ENVIRONMENT**

#### **3.1. The Council:**

The Council has appointed a Chairman who is responsible for the smooth running of meetings and for ensuring that all Council decisions are lawful.

- ✓ The Chairman signs the first page of the minutes and initials all other pages.
- ✓ Decisions made are within the Standing Orders and Financial Standing Orders laid down and approved by the Council.
- ✓ The Council reviews its obligations and objectives and approves budgets for the following year at its November meeting. The November meeting of the Council approves the level of precept for the following financial year.
- ✓ The Council monitors progress against its aims and objectives by receiving a monthly financial statement and a quarterly Actual against Budget Report, which it approves at its Council meetings. Payments are made in accordance with Standing Orders and Financial Standing Orders.
- ✓ Two councillors (out of four named signatories) must sign all cheques & payment schedules. The signatories will also initial the cheque stubs & invoices. The signatories will ensure that the cheque/payment schedule agrees with the amount of the invoice and the payee named on the invoice. The Clerk/RFO has restricted delegated authority for payment authorisation, which is reported to council at the next available meeting. Council agrees the receipts and payments made for each month.
- ✓ Employee salaries are paid monthly directly into bank accounts. The intended bank payment details are supplied for inspection at each Council meeting for authorisation by the signatories and the payment is not transferred until this time. Cross referencing of the BACS payments is made against the bank statements by a member of the Admin Working Group.
- ✓ At the year-end, the Chairman ensures that the Final Bank Reconciliation totals are reconciled to the year-end bank statement and signs the Final Bank Reconciliation and the year-end bank statement as evidence of this check.
- ✓ The Council regularly reviews its internal controls, systems & procedures.

# **EXNING PARISH COUNCIL**

## **INTERNAL CONTROL POLICY STATEMENT**

### **3.2. Clerk to the Council / 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 the day-to-day compliance with laws and regulations that the Council is subject to and for managing risks. The Clerk also ensures that the Council's procedures, control systems and policies are maintained and adhered to.

- ✓ The duties of the Clerk/RFO are laid down in a Job Description which is reviewed each year.
- ✓ The RFO submits all the requested information to the External Auditor by the required date.
- ✓ The RFO arranges for the public notices to be displayed.
- ✓ The RFO will retain all relevant documents relating to the financial year for six years (Annual Return, VAT Returns, PAYE/NIC information, Public notices, Fixed Asset register, Risk assessments, accounts and supporting information).

### **3.3. Internal Auditor**

The Council appoints an independent, competent Internal Auditor, who reports to the Council on the adequacy of its records, procedures, systems, internal control, regulations, risk management and reviews.

- ✓ The effectiveness of the internal audit is reviewed annually and the Council agrees to the appointment of the Internal Auditor. The Internal Auditor, who is competent and independent, is advised of the scope of the work required by the Council.
- ✓ The scope of the work (and the charge) of the IA is reviewed annually and the review and the appointment is minuted.
- ✓ The IA inspects the accounts at the year-end (prior to completion of the Annual Return & Governance Statement) and completes the Internal Audit section of the Annual Return.
- ✓ The IA writes a separate report to the Council (a copy of which is sent to the Chairman) detailing any findings they might have.
- ✓ The report of the IA is copied to all members of the Council and considered as an agenda item at the next meeting. Recommendations from the report are recorded in the minutes.

### **3.4. External Auditor**

The Council's External Auditors, appointed by the Audit Commission, submit an annual Certificate of Audit, which is presented to the Council.

## **4. REVIEW OF EFFECTIVENESS**

The Council has responsibility for conducting an annual review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work and any issues identified by:

- Full Council – identification of new activities.
- Clerk to the Council/RFO who has responsibility for the development and maintenance of the internal control environment and managing risk.
- Independent Internal Auditor who reviews the Council's system of internal control.
- The Council's External Auditors who make the final check using the Annual Return, a form completed and signed by the RFO, the Chairman and the Internal Auditor.
- Council meetings and on-going business – significant issues that are raised during the year.

## **5. SIGNIFICANT INTERNAL CONTROL ISSUES**

The significant internal control issues identified by Internal Auditor, SALC, during the financial year to 31<sup>st</sup> March 2019 were:

<b>REQUIREMENT</b>	<b>COMMENTS/RECOMMENDATIONS (IA – SALC)</b>	<b>ACTION PLAN (CLERK – EPC)</b>
Evidence that standing orders have been adopted and reviewed regularly	<b>Comment:</b> Council might wish to consider ensuring at the next annual review that the Standing Orders are tailored to the Parish Council by removing the square brackets [] as this creates ambiguity.	The Standing Orders document has been amended to remove this administrative typing error. 4/5/19

## **EXNING PARISH COUNCIL INTERNAL CONTROL POLICY STATEMENT**

<b>REQUIREMENT</b>	<b>COMMENTS/RECOMMENDATIONS (IA – SALC)</b>	<b>ACTION PLAN (CLERK – EPC)</b>
Internet Banking transactions properly recorded/approved	<b>Recommendation:</b> within Financial Regulation 5.c the Clerk has authority for fund transfers within the councils banking arrangements up to the sum of £10,000, provided that a list of such payments shall be submitted to the next appropriate meeting of council. Council should consider expanding the Financial Report to ensure that this item is submitted to each relevant meeting.	A Transfer of Funds report will be added to the monthly Financial Report as recommended. This will be scrutinised and initialled by two councillors. To start 15/5/19
Legal Powers identified in minutes and/or cashbook	There is no identification of the powers used in either the cashbook or minutes other than reference to LGA 1972 s137. <b>Comment:</b> Council might wish to refer to the Financial Risk Assessment as approved at the meeting of 27th March 2019, noting that it is the responsibility of Councillors to satisfy themselves that they have the appropriate legal power to incur expense, and reference the exact power being used to ensure that all financial decisions or payments being made are in accordance with statute and the Council is not undertaking any decisions or payments that are ultra vires.	In the absence of Exning Parish Council holding the Power of Competency (ie. Having a CiLCA qualified Clerk), the exact power being used will be recorded next to all payments being made. To start 15/5/19
Is PAYE/NIC paid promptly to HMRC?	<b>Recommendation:</b> To ensure that daily interest is not incurred on unpaid amounts from the due and payable date to the date of payment Council might want to consider ensuring that the balancing payment is made to clear the account within a reasonable period of time and lodged against the 2018-19 tax year.	On the one occasion a calculation error was made for the Q4 2017/18 payment; this was immediately rectified in April 2018 and no penalties or interest were incurred.
Regularly completed and reconciled with cash book [Cash Assets]	<b>Comment:</b> Council might wish to implement a system whereby the bank reconciliations are independently verified by a Councillor which not only safeguards the Responsible Financial Officer but also fulfils an internal control objective.	End of month bank reconciliations will be verified by the Chairman at or before council meetings. This fact will be minuted. To start 15/5/19
Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	<b>Comment:</b> as stated on the AGAR Part 3 – to avoid potential confusion by electors and interested parties - Council might wish to consider publishing the Annual Internal Audit Report – page 3 of the AGAR.	This was not done for 2017/18 due to non-access to the council website. It will be done for 2018/19 audit.
Verifying that the Council is compliant with the General Data Protection Regulation (GDPR) requirements	<b>Comment:</b> further input will be required from Council to ensure compliance with GDPR and Council should ensure that Privacy Notices are readily available on its website.	Privacy Notices were not put on the website due to non-access to the council website. It will be done as soon as practically possible in May/June 2019.

### **6. EXTERNAL AUDIT OPINION**

Matters raised on the Annual Return for the financial year to 31<sup>st</sup> March 2019:

6.1. There were no matters raised by the EA, PFK Littlejohn Ltd.

***EXNING PARISH COUNCIL  
INTERNAL CONTROL POLICY STATEMENT***

Reviewed & approved by Exning Parish Council on 26<sup>th</sup> February 2020: (Update of Policy due March 2021)

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Clerk

Date: \_\_\_\_\_