

Dodderhill Parish Council
Statement of Internal Control and Annual Review of Effectiveness of Internal Control
Report from the Clerk/RFO

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: Nick Farress ,Clerk and RFO June 2019

The following statement of internal control was considered by Dodderhill Parish Council at its meeting on 1st July 2019 and approved by the Council.

Signature of Chairman:

Date

Dodderhill Parish Council Statement of Internal Control and Annual Review of Effectiveness of Internal Control

STATEMENT OF INTERNAL CONTROL

Cash Book/Bank Reconciliations

- The cash book is kept electronically (in spreadsheet format), maintained up to date from original documents (cash received, invoices, payments 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 book, payments and receipts and bank reconciliation is reviewed by an independent auditor with reference to the underlying records (bank statements, minutes, invoices, copies of accounts papers etc.) at least annually.
- The bank reconciliation is reported to the full Parish Council each month and recorded in the minutes.
- 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.
- 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 by the RFO 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.
- 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 Councillors prior to signing the cheques.
- Cheques will be signed/authorised by two Councillors, who are authorised to sign on the Council's bank mandate. Councillors will not sign cheques made payable to themselves (e.g for expenses claims).
- The RFO maintains control of the cheque book at all times and cheques will only be issued and signed for payments approved in Council meetings. The RFO cannot make payments alone.
- 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.
- 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.

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 (e.g 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 monitoring report, comparing actual receipts and payments to the budget, is prepared on a monthly basis and presented to the Parish Council either in advance of the meeting or at the meeting and recorded in the minutes.

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 based on the budget by the deadline set by Wychavon District Council.

Payroll Controls

- The Clerk is paid under PAYE as an employee and the necessary system for HMRC RTI is in place. The Council uses the HMRC Basic Tools payroll system.
- The Clerk's salary is set by the Council and a minute is prepared to show the agreed salary payment each month.
- The salary is paid by cheque.
- The RFO will ensure that all the necessary payroll returns are made to HMRC and will retain evidence to this effect. Payments made to HMRC and to the Council's pension provider are detailed on the agenda and minutes of the meeting where the payment was authorised.

Office and Clerk's Expenses

- The clerk submits a request for reimbursement of monies owing by way of an entry on the relevant pay advice and the submission of receipts which are available for inspection by Councillors prior to signing the relevant cheque(s).
- A monthly payment is made to the Clerk to cover expenses such as heating and lighting at the Clerk's home address.
- The claim can cover any out of pocket expenses as well as motoring expenses, as laid down by joint SLCC/NALC guidelines.
- Expenses are paid by cheque and paid with the salary payment 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.

Adopted by Dodderhill Parish Council – 1st July 2019

Last Reviewed – 1st July 2019