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**WHERSTEAD PARISH COUNCIL**

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

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.” 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 the internal control system there needs to be clarity on the internal controls in place. 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.

**RECOMMENDATION**: 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 **Samantha Barber Clerk/RFO**

The following statement of internal control was considered by Wherstead Parish Council at its meeting of ……………………………… and approved by the council as a true statement of the course of events undertaken by the Clerk/RFO

 Signature of Chairman: ………*D Baldry*………………………………...

Date: 6th October 2022

**WHERSTEAD PARISH COUNCIL STATEMENT OF INTERNAL CONTROL**

1. **Cash Book/Bank reconciliations**

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

1.2 The cash book is reconciled to the bank statement at least monthly.

1.3 Reconciled accounts are presented to the Parish Council at every main Parish Council meeting, together with related invoices and bank statements. These are signed by two Councillors (ideally one of whom should not be a cheque signatory) and approved by the Full Council.

1.4 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 at previous meetings, via the accounts previously authorised.

**2. Financial Regulations & Standing Orders**

2.1 The Parish Council has adopted financial regulations and standing orders, based on the latest model versions prepared by NALC (currently 2019). The regulations and orders are reviewed for continued relevance at least annually and whenever new versions are released by NALC amended where necessary by the Responsible Financial Officer with any proposed amendments subject to approval by the Parish Council.

**Order/Tender controls**

a) 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.

b) Official orders/letters/emails are sent to suppliers for services which are not regular in nature

**Legal Powers.**

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

**Payment controls**

1. Depending on the nature of the supply, the RFO checks 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.

 2. Purchase orders/emails/letters ordering the work are matched to purchase invoices where applicable.

3. Payments will be listed in date order in the cash books and in accounts files.

4. All invoices for payment are listed on the report tabled at a meeting where the expenditure is to be authorised for payment.

5. Payments made are attached to the minutes of the meeting.

 6. Original invoices are available to the Councillors signing the cheques/authorising BACS payment.

7. Cheques/ BACS Payments will be signed/authorised by two councillors, who are authorised to sign on the Council’s bank mandate.

8. The RFO or Chairman always maintains control of the cheque book, cheques will only be issued and signed for payments approved in Council meetings except for special circumstances whereby the Chairman gives authority. Likewise, BAC’s payments will generally only be made after approval at a Council meeting except for special circumstances where the Chair has given authority.

9. 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 to the bank statement.

10. Payments made under section 137 of the 1972 LGA (“The Free Resource”)

❖ A separate s137 column in the cashbook is maintained

❖ The RFO calculates the maximum amount of s137 expenditure able to be made each year and ensures that it is not exceeded – confirmed 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 at the meeting where the payment is to be approved.

❖ The proper minute authorising expenditure from s137 is prepared on each occasion.

**VAT repayment claims**

 RFO ensures that all invoices are addressed to the Parish Council.

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

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

**Income controls**

 RFO ensures that amount of the precept received is correct in accordance with the precept request sent to the District Council.

 RFO ensures that the precept instalments are received when due.

 RFO ensures that other receipts (interest etc) are received when due and correctly calculated.

 Receipts are issued for any cash received if no other documentation exists.

 Income is banked promptly.

**Financial reporting**

A Budget control, comparing actual receipts and payments to the budget is prepared for each council meeting.

**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 Babergh District Council.

**Payroll controls**

 Staff contracts are prepared and agreed by the full Council and are reviewed and amended where necessary by the Clerk and approved by the Council.

 All employees are paid under PAYE as an employee and the necessary system for HMRC RTI (real time information) is in place.

 All employees’ salaries are set by the Council and a minute is prepared to show the agreed salary.

 The salaries are paid BACS.

 Payroll returns are outsourced to SALC who ensure compliance with HMRC in line with their contract.

Any additional hours (overtime) will be agreed in advance by the Council and minuted.

**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 any out-of-pocket expenses as well as motoring expenses as laid down by joint SLCC/NALC guidelines and detailed in the Wherstead Parish Council Standing Orders and Expenses Policy.

**Asset Register**

The RFO maintains a full asset register.

 The existence and condition of assets is checked on an annual basis.

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

**Risk Assessment**

A risk assessment which contains both financial and non- financial risks is carried out annually by the Clerk and presented to a Council meeting where it is approved, signed and minuted as approved by the Council.