

# LINDSEY PARISH COUNCIL

## **STATEMENT OF INTERNAL CONTROL AND ANNUAL REVIEW OF EFFECTIVENESS OF INTERNAL CONTROL FOR YEAR ENDING 31<sup>ST</sup> MARCH 2021**

The Accounts & Audit Regulations 2015 aims to strengthen governance and accountability through requirements related to internal control and internal audit. Whilst the Parish Council has reviewed the effectiveness of the internal audit (independence, competence, proportionate and scope), it has a requirement levied on it to ensure that its financial management is adequate and effective and that it has a sound system of internal control. The framework of accountability is risk-based i.e. level of control and management must be appropriate to the risk involved. The Council must determine the most appropriate method of internal control. It should ensure that internal control tests are proportionate and relevant and should not show undue interference in the RFO's day to day management of financial affairs.

### **Purpose 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. Internal controls are set up by the Clerk / RFO but it also falls to 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 and liabilities; the identification of risk and to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

### **Annual Review of Internal Controls**

As part of its internal control, the Council agrees that overall it has conducted an annual review of the system of internal control via the following tests.

CONTROL TEST	COMMENTS
Ensuring an up to date Register of Assets	Reviewed March 2021. Asset Register held in accordance with Proper Practices.
Maintenance arrangement for physical assets	Review carried out by Clerk in January 2021 All assets under insurance.
Annual review of risk & the adequacy of insurance cover	Carried out September 2020 by RFO and reported to full Council
Awareness of Standing Orders & Financial Regulations	All uploaded onto website January 2021
Adoption of Financial & Standing Orders	Reviewed and deemed to be fit for purpose and adhered to - January 2021
Regular bank reconciliation, independently reviewed	Reviews carried out by signatories bi-monthly
Regular scrutiny of financial records and proper arrangements for the approval of expenditure	Expenditure approved at each and every meeting. Council operates with 2 signatory authorisations.
Recording in the minutes or appendices the precise powers under which expenditure is being approved	See Appendices of minutes. Annual reporting of expenditure incurred over £100
Payments supported by invoices, authorised and minuted	Signatories verify prior to signing cheques
Payments made under section 137 of the 1972 LGA ("The Free Resource")	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. 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.
Regular scrutiny of income records to ensure income correctly received, recorded and banked	Income received reported at each and every meeting.
Scrutiny to ensure precept recorded in the cashbook agrees to notification	Signatory verified – May and November 2020
Contracts of employment for staff, annually reviewed Updating records to record changes in relevant legislation PAYE/NIC properly operated by Council as an employer	Council actioned 9 <sup>th</sup> September 2020

VAT correctly accounted for, payments identified, recorded and reclaimed in the cashbook	VAT claim submitted March 2020 and paid April 2020. All VAT invoices are addressed to the Parish Council. RFO maintains a VAT accounts to show the VAT that is reclaimed for each year.
Regular financial reports	Bi-monthly - bank reconciliations and details of expenditure and income received
Regular budget monitoring statements	Bi-monthly budget to actual reports submitted
Minutes properly numbered and paginated with a master copy kept for safekeeping	Yes – all minutes to be signed by Chair prior to year-end and internal audit (April 21)
Procedures in place for recording and monitoring Members' Interests and Gifts of Hospitality	At each and every meeting
Adoption of Codes of Conduct for Members	2014
Declaration of Acceptance of Office	Full Council 2015; Chair at each and every ACM Note no ACM in 2020 – in accordance with regulations (effective April 2020) as advised under The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.

Period covered by review of Internal Controls: 01.04.2020 - 31.03.2021. Date of review of system of Internal Controls: 10.03.21

### Review of effectiveness of Internal Control

The Council has responsibility for conducting an annual review of the effectiveness of the system of internal control. The review is informed by the work and any issues identified by the Clerk to the Council / RFO who has responsibility for the development and maintenance of the internal control environment and managing risks and the Internal Auditor who reviews the Council's system of internal control and who makes a written report to the Council.

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.

### Recommendation for the meeting of 10<sup>th</sup> March 2021 Agenda reference 10 iii:

That the Parish Council considers this Statement of Internal Controls, reviewing it to consider whether the controls currently in place are effective and appropriate for Lindsey Parish Council in its management of public finances.