

## LINDSEY PARISH COUNCIL

### **STATEMENT OF INTERNAL CONTROL AND ANNUAL REVIEW OF EFFECTIVENESS OF INTERNAL CONTROL FOR YEAR ENDING 31<sup>ST</sup> MARCH 2023**

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 January 2023. Asset Register held in accordance with Proper Practices.
Maintenance arrangement for physical assets	Review carried out by Clerk in January 2023. All assets under insurance however known concerns with pole for village sign.
Annual review of risk & the adequacy of insurance cover	Carried out September 2022 by RFO and reported to full Council.
Awareness of Standing Orders & Financial Regulations	Reviewed and deemed to be fit for purpose and adhered to.
Adoption of Financial & Standing Orders	All reviewed January 23 and to be uploaded onto website January 23 – no amendments to those produced in 2022.
Regular bank reconciliation, independently reviewed	Reviews carried out by RFO and verified 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. 3 <sup>rd</sup> signatory added to account July 22.
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 release of payments via the internet banking system.
Scrutiny of internet bank payments including authorisation procedures	Payments made by internet follow the Council's Internet Banking Policy and Procedures.
Payments made under section 137 of the 1972 LGA ("The Free Resource")	Effective 2021 – Council resolved that it met the criteria and would operate with the General Power of Competence. Full explanation as to the limits and how to operate the power provided to full Council.
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	A signatory verified at each relevant meeting after April and September 22.
CIL reporting to Council in accordance with legislation	CIL payments received for the first time in 2021-2022. RFO ensures that these are allocated as a Restricted Reserve and Council so informed at each relevant meeting. CIL balances will form part of the year-end reserves if unspent at year end.
CIL reporting to District in accordance with legislation	The RFO will ensure that reports are submitted to the District Council in accordance with the prescribed timescales.
Contracts of employment for staff, annually reviewed Updating records to record changes in relevant legislation PAYE/NIC properly operated by Council as an employer	Yes – verified once payslips submitted for payment at each relevant meeting.
VAT correctly accounted for, payments identified, recorded and reclaimed in the cashbook	The VAT claim for 22-23 has still to be submitted. As the claim is likely to be under £100, it cannot be submitted until a full year has been passed. A note has been made to claim the sums due in April 2023.  All VAT invoices are addressed to the Parish Council. The RFO maintains a VAT account to show the VAT that is reclaimed for each year.
Regular financial reports	Bi-monthly - bank reconciliations and details of expenditure and income received
Budget setting process in accordance with Proper Practices	Full Council considered the draft budget in November 22 with final approval of budget in January 23 once tax base was known.
Regular budget monitoring statements	Bi-monthly budget to actual reports submitted
Minutes properly numbered and paginated with a master copy kept for safekeeping	All minutes signed by Chair at each scheduled meeting in accordance with the LGA 1972. All pages are paginated.
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	New Code of Conduct adopted by full Council May 2022.
Declaration of Acceptance of Office	Full Council 2019; Chair at each and every ACM

Period covered by review of Internal Controls: 01.04.2022 - 31.03.2023.

Date of review of system of Internal Controls: 31.01.23 by RFO to be presented to full Council for formal approval at meeting of 08.03.23.

### **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 6 of 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." 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.

**Agenda reference 9 ii d): at the meeting 8<sup>th</sup> March 2023, Council considered this Statement of Internal Controls, and having reviewed it, considered that the controls currently in place are effective and appropriate for Lindsey Parish Council in its management of public finances and agreed that the system of internal control is sound and provides an adequate foundation to mitigate the risks associated with the operation of public money.**