

## **Kirby Bellars Parish Council**

### **Statement of Internal Control and Annual Review of Effectiveness of the system of Internal Control**

#### **1.0 OVERVIEW**

- 1.1 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."
- 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.

The following statement of internal control was considered by Kirby Bellars Parish Council at its meeting of 20<sup>th</sup> May 2024 and approved by the council as a true statement of the course of events undertaken by the clerk/RFO

### **Cash Book/Bank Reconciliations**

- The cash book is kept electronically (in spreadsheet format), maintained up to date from original documents (invoices, payments (s/o) made and cheques as they are prepared).
- The cash book is reconciled to the bank statement each month.
- Reconciled accounts are presented at each Parish Council meeting for reference.
- The cash book, cheques written for signature, schedule of payments, invoices and bank statements are reviewed and approved by the Chair and at least one additional Councillor at each Parish Council meeting.
- All the books of account and supporting records are reviewed and sample checked annually by the internal auditor.

### **Financial Regulations**

- The Parish Council has adopted financial regulations, based on the model version prepared by NALC. The regulations are reviewed annually.
- 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 in advance of any expenditure.

### **Payment Controls**

- Payments are to be listed in date order in the cash books and in accounts files.
- Payments made are listed in the minutes of the meeting
- Original invoices are available to the Councillors signing the cheques or authorising BACS payments
- Cheques, cheque stubs and invoices will be signed by two councillors, who are authorised to sign on the council's bank mandate.
- If the council has an online banking system in place. There is a stringent login procedure.
- If the council has an online banking system in place. The RFO is authorised to set up bank payments online. The RFO is not an authorised signatory. Every online bank payment requires 2 signatories.
- A minimum of 2 members of the council are authorised to approve online bank payments. They cannot set up bank payments, only authorise them.
- The RFO is authorised to transfer funds from one account to another, but not to make third party payments outside of the bank accounts in any form.
- The RFO maintains control of the cheque book at all times.
- When invoices are paid by cheque, they are identified by the cheque number and referenced in the cashbook by the cheque number. This is cross-checked with the bank statements.
- When invoices are paid by online banking, they are crosschecked 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.

### **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 the amount of the precept received is correct in accordance with the precept request sent to the District Council and received when due.
- The RFO ensures that other receipts are received when due and correctly calculated.
- Income is banked promptly.

### **Financial Reporting**

- A Budget control, comparing actual receipts and payments to the budget and the previous year is prepared on at least a bi-annual basis. 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 on the basis of the budget by the deadline set by Melton BC.

### **Payroll Controls**

- The Clerk is paid under PAYE as an employee and the necessary system for HMRC RTI is in place.
- The Clerk's salary is set by the Council and a minute is prepared to show the agreed salary.
- The RFO will ensure that all the necessary payroll returns are made to HMRC and will retain evidence that this has been done.

### **Office and Clerk's Expenses**

- The clerk submits a request for reimbursement of monies owing by way of invoice.
- The expenses cover a contribution towards the cost of maintaining an office at the clerk's home and any out of pocket expenses as well as motoring expenses, as laid down by joint SLCC/NALC guidelines.

### **Asset Control**

- The RFO maintains an asset register.
- The existence and condition of assets is checked annually by a member of the Parish Council.
- The adequacy of insurance of the Parish Council's assets is considered annually.