

## LINDSEY PARISH COUNCIL

### STATEMENT OF INTERNAL CONTROL AND ANNUAL REVIEW OF EFFECTIVENESS OF INTERNAL CONTROL FOR YEAR ENDING 31<sup>ST</sup> MARCH 2022

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 February 2022. Asset Register held in accordance with Proper Practices.
Maintenance arrangement for physical assets	Review carried out by Clerk in January 2022 All assets under insurance however known concerns with pole for village sign.
Annual review of risk & the adequacy of insurance cover	Carried out September 2021 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 March 22 and to be uploaded onto website March 22 – amendments to procurement thresholds only.
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 to be added to account – March 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 signing cheques – internet banking operated since November 21
Scrutiny of internet bank payments including authorisation procedures	Payments made by internet follow the Council's Internet Banking Policy and Procedures adopted by the Council during 2021
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 21
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 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 21-22 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. The claim for the year 20-21 was made within that year.  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
Budget setting process in accordance with Proper Practices	Full Council considers the draft budget in November 21 with final approval of budget in January 22 once tax base 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	2014
Declaration of Acceptance of Office	Full Council 2019; Chair at each and every ACM

Period covered by review of Internal Controls: 01.04.2021 - 31.03.2022. Date of review of system of Internal Controls: 09.02.22

### 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 9<sup>th</sup> March 2021 Agenda reference 9 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 and agrees that the system of internal control is sound and provides an adequate foundation to mitigate the risks associated with the operation of public money .**