# Statement of Internal Controls and Annual Review of Effectiveness of Internal Control Policy

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## Policy Purpose

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.”
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.
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.
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.

## Cash Book / Bank Reconciliations

1. The cash book is kept electronically, maintained up to date from original documents (income received, invoices, payments made).
2. The cash book is reconciled to the bank statement at least monthly.
3. Reconciled accounts are presented at each Parish Council meeting for reference and are signed and approved by a Councillor.
4. The cash books, payments and receipts, and the bank reconciliation is reviewed and approved by a member of the Parish Council, with reference to the underlying records (bank statements and minutes plus copies of accounts papers etc) quarterly.
5. The bank reconciliation is reported to the full Parish Council.
6. 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 in the previous meeting via the accounts filed with the minutes.

## Financial Regulations and Standing Orders

1. The Parish Council has adopted financial regulations and standing orders, based on the model versions prepared by NALC/SLCC.
2. The regulations and orders are reviewed for continued relevance annually and amended where necessary by the Responsible Finance Officer with any proposed amendments subject to approval by the Parish Council.

## Order / Tender Controls

1. 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.
2. Official orders/letters are sent to suppliers for services which are not regular in nature.
3. 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 (agenda) 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 authorising payments.
7. All expenditure payments will be authorised by two councillors, who are authorised to sign on the Council's bank mandate.
8. The RFO is authorised to transfer funds from one account to another.
9. The RFO maintains control of the cheque book at all times. Cheques and electronic bank transfers will only be issued and signed for payments approved in Council meetings except for special circumstances whereby the Chairman and Vice Chairman give authority.
10. 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.
11. When invoices are paid by cheque, they will be identified by the cheque number and referenced in the cashbook by the cheque number, as well by the unique identifier. This is cross checked with the bank statements.
12. When invoices are paid by electronic bank payment this is identified by invoice number and account number which can be cross referenced with the bank statement and cash book.

## Payment made under Section 137 of the 1972 LGA ("The Free Resource")

1. A separate s137 account is maintained.
2. The RFO calculates the maximum amount of s137 expenditure able to be made each year and ensures that it is not exceeded and 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.
3. Where requests for expenditure from s137 are made this is made clear at the meeting where the payment is to be approved.
4. The proper minute authorising expenditure from s137 is prepared on each occasion.

## VAT Repayment Claims

1. The RFO ensures that all invoices are addressed to the Parish Council.
2. The RFO ensures that proper VAT invoices are received where VAT is payable.
3. The RFO maintains a VAT account to show that the correct amount of VAT is reclaimed in the year.

## Income Controls

1. The RFO ensures that the amount of the precept received is correct in accordance with the precept request sent to the District Council.
2. The RFO ensures that the precept instalments are received when due.
3. The RFO ensures that other receipts (deposit interest, allotment rent) are received when due and correctly calculated.
4. Receipts are issued for cash received and a copy kept.
5. Income is banked promptly.

## Financial Reporting

1. A Budget control, comparing actual receipts and payments to the budget is prepared on a quarterly basis, presented to the Parish Council at the meeting.

## Budgetary Controls

1. The budget is prepared in consultation with the Parish Council, as evidenced by reports and minutes in advance of the start of the financial year.
2. The precept is set on the basis of the budget by the deadline set by Solihull Metropolitan Borough Council.

## Payment Controls

1. Staff contracts are prepared by the Clerk and agreed by the full Council and are reviewed and amended where necessary by the Clerk and approved by the Council.
2. All employees are paid under PAYE as an employee and the necessary system for HMRC is in place.
3. All employees' salaries are set by the Council and a minute is prepared to show the agreed salary.
4. Any additional overtime hours are agreed to by either the Chairman/Vice Chairman or Clerk in agreement with the Chairman/Vice Chairman.
5. The salaries are paid by electronic standing order payments on 20th month.
6. The RFO will ensure that all the necessary monthly payroll payments are made to HMRC and the West Midland Pension Fund and will retain evidence that this has been done.

## Office and Clerk's Expenses

1. The clerk submits a request for reimbursement of monies owed by way of an expense account, in advance of each meeting.
2. The expenses cover any out-of-pocket expenses as well as motoring expenses as laid down by joint SLCC/NALC guidelines.
3. Expenses are paid by electronic transfer.

## Asset Control

1. The RFO maintains a full asset register.
2. The existence and condition of assets is checked on a six-monthly basis by a member of the Parish Council.
3. The adequacy of insurance of the Parish Council's assets is considered annually in advance of the insurance renewal.

## Risk Assessment

1. A risk assessment 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.