

# STISTED PARISH COUNCIL



## Internal Control Policy & Effectiveness of Internal Audit Systems

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| <b>Date of last review</b> | <b>July 2023</b>     |
| <b>Date Updated</b>        | <b>April 2024</b>    |
| <b>Adopted</b>             | <b>April 2024</b>    |
| <b>Next Review Date</b>    | <b>February 2025</b> |

# STISTED PARISH COUNCIL

## Effectiveness of Internal Audit Systems & Internal Control Policy

### 1. SCOPE OF RESPONSIBILITY

Stisted Parish Council (the Parish Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, the Parish Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Parish Council's functions and which includes arrangements for the management of risk.

### 2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. The system of internal control is based on an on-going process, designed to identify and prioritise the risks to the achievement of the Parish Council's policies, aims and objectives, to assess the likelihood of those risks being realised and the impact thereof, and to manage them efficiently, effectively and economically.

### 3. THE SYSTEM OF INTERNAL CONTROL

#### 3.1 The Parish Council:

- a. The Parish Council elects a Chair (annually at the May meeting) who is responsible for the smooth running of meetings and transaction of business and ensures all council decisions are lawful and correctly made.
- b. The Parish Council typically meets 11 times per year and monitors progress against its aims to manage public money effectively
- c. The Parish Council has adopted Standing Orders and Financial Regulations that contain the procedures and processes for conducting the Parish Council's business and these are reviewed annually.
- d. The Parish Council reviews its obligations to parishioners and its objectives and then develops and approves the budget for the following financial year at its December / January meeting.
- e. The Parish Council annually sets the Precept for the following financial year at its January meeting following approval of the budget.
- f. The Parish Council conducts monthly bank reconciliations, and minutes these. These are circulated to all councillors, not just bank signatories
- g. VAT payments are identified, recorded and reclaimed at least once per year
- h. Payroll
  - the council ensures that the clerk has a contract with clear terms and conditions
  - salary is paid to agree with the terms set by the council
  - PAYE if through HMRC Basic Tools with monthly submissions as RTI.
  - all payments, whilst statutory are still reported to the council for approval and made by BACS
  - relevant statutory liabilities to HMRC are paid on time
- i. Proper Book keeping and account records for income and expenses are kept and updated throughout the year



- j. General reserves are kept separate from Ear Marked reserves in the accounts and appropriately managed
- k. Payment Controls are in place for online banking with all payments having pre approval and post payment check. Signing processes are being update in April 2024 in line with Financial Regulations, to safeguard public money, and the council approve every bank mandate prior to approval. The use of variable Direct Debits is reviewed and approved every two years
- l. An Asset Register is kept and assets are maintained in good condition, with additions and disposals recorded and the list agreed each year
- m. The Parish Council carries out regular reviews of its internal controls, procedures and processes in light of any best practice advice and guidance from the External Auditor, EALC, NALC and the SLCC.

### 3.2 The Clerk to the Parish Council/Responsible Financial Officer (RFO):

The Parish Council has appointed a Clerk/RFO to the Parish Council who:

- acts as the Parish Council's advisor and administrator,
- the Clerk is responsible for the day-to-day compliance with law and regulations that the Parish Council is subject to
- for implementing the Parish Council's decisions and for managing risks.
- the Clerk is also the Parish Council's RFO and, as such, is responsible for administering the Parish Council's finances
- the clerk ensures that policies and procedures are kept up to date.

### 3.3 Risk Assessments/Risk Management:

The Parish Council carries out risk assessments in respect of its actions and annually reviews its internal controls, procedures and processes.

In addition, playground equipment is subject to regular inspection with an annual review by RoSPA, and Street Lights are subject to an annual maintenance plan and review. Once per year the tree warden is asked to check the few trees on the village green and the playing fields

### 3.4 Internal Auditor:

The Parish Council appoints an independent Internal Auditor annually, who reports to the Parish Council on the adequacy of its financial processes, after examining and testing the Parish Council's processes and records.

### 3.5 External Auditor:

As a smaller authority (gross income or expenditure is £25,000 or less) a Parish Council can certify themselves as except from a limited assurance review and follows the guidance set out by the External Auditors. If the income or expenditure is above £25,000 in the year, then the Parish Council follows the internal audit procedure and then follows the guidance for the external review

## 4. REVIEW OF EFFECTIVENESS

The Parish Council is required to review the effectiveness of the internal audit annually, in accordance with Section 6 of the Local Audit and Accountability Act 2014.

The review considered the following;

#### 4.1 Scope of the internal audit

The internal audit covers examination & testing of the Parish Council's records, including (but not limited to) the Income and Expenditure spreadsheet, cheque books, bank statements, VAT returns, minutes, invoices and receipts, asset register, risk register, Standing Orders, Financial Regulations and insurance provision. The Clerk/RFO ensures all records are available to the Internal Auditor and attends to answer any questions arising.

#### 4.2 Independence of the internal auditor

There is no advisory or financial connection between the Internal Auditor and the Parish Council, save for the undertaking of the internal audit and remuneration thereof.

#### 4.3 Competence of the internal auditor

The Internal Auditor is a Business Consultant with experience of Finance and of the Governance required for a parish Council.

#### 4.4 Relationships

- a. The Clerk/RFO was involved in the development of the internal audit scope / plan (below).
- b. The Parish Council adopted the document, however the Parish Council remains responsible for the suitability of any audit plan and frequency.

#### 4.5 Audit Scope / Plan and Reporting

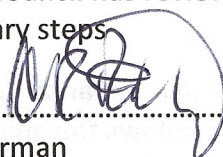
The internal audit plan is based on the Parish Council's current level of regular receipts and payments and the perceived likely risks (fraud, misuse of public funds, etc.).

At present it is considered that, in conjunction with the monthly bank reconciliation and the monthly budgetary control review, only one annual internal audit is required, which will take place after 31st March and before the June Parish Council meeting.

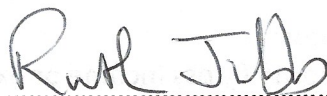
The Internal Auditor will report his/her findings to the Clerk/RFO, who will communicate these to the Parish Council at the next meeting. The Internal Auditor also provides the written report of the Annual Return to the external auditor.

#### 5. SUMMARY

The Parish Council has reviewed the effectiveness of the previous internal audit and taken and necessary steps

  
.....  
Chairman

1/5/2024  
.....  
Date

  
.....  
Clerk / RFO

01/05/2024  
.....  
Date



## Appendix - Scope of Audit for Plan and Completion of Audit

- Agree number of visits in the year and the scope of the audit, with any reporting frequency for issues found
- An annual visit or remote access to records is sufficient for Stisted Parish councils.

Areas that the internal auditor should review are:

1. Bank reconciliations for all accounts. Test checks of receipts and payments for all methods including BACS, debit cards, direct debits, standing orders, direct credits. To cover security and the internal controls in operation. Also review bank mandates for effectiveness and relevancy.
2. Payroll aspects require test checks of staff contracts and pay calculations, with payments to HMRC and relevant pension schemes.
3. Insurance cover for standard aspects (including employer and public liability), cyber cover and personal accident cover (including volunteers) should be properly held at appropriate levels.
4. The asset register is updated with all additions and disposals shown. Additions should be noted, with relevant serial numbers, at the net cost value (i.e. no VAT or delivery charges included). This will provide the actual figure for the AGAR Box 9. When an item is added to the asset register it should also be notified to the insurer for cover on the current policy.
5. Risk assessments for all relevant aspects of the council performed and minuted as such, before the relevant 31 March.
6. VAT is noted correctly in financial software or spreadsheets and claimed on a regular basis (monthly, quarterly or annually) from HMRC as required.
7. Check of council minutes, ensuring that all are properly signed and dated by the chair at the subsequent meeting. This makes any council decisions legally binding. Payment schedules should be attached as an appendix or included in the minutes for transparency purposes (started in March 2024). Any reviews and updates to standing orders or financial regulations and all risk assessments should be fully minuted before the relevant 31 March. The auditor should look for actioning on various projects, grants sought and earmarked reserves/CIL monies held.
8. Budgetary control is operating during the financial year, with regular comparison between budget and actuals on cost codes, to allow for virement (transferring money between accounts) if needed. Ensure that a proper budgetary process operates at the end of each calendar year. This allows each council to decide its precept for the following financial year, ready to notify its unitary, borough or district authority by the end of January. The precept figure is then used by these authorities to set their area council tax figures. Council minutes should always show the actual precept amount requested, not just "unchanged" or the percentage increase.
9. Are internal checks and controls utilised to alert councillors to errors or fraud? For example, simple verification checks that bank statement figures used in bank reconciliations are actually sighted on the statements monthly and then initialled by the chair as correct.
10. Verification of AGAR Governance (Sheet 1) and Accounting (Sheet 2) for both accuracy and full completion. Review of the significant variances sheet (currently all variances of +/-15% require explanations by the external auditors). If the council uses an income and expenditure format, the internal auditor needs to test the accuracy of debtors, creditors and accruals. The I&E format will also need a full reconciliation of Boxes 7 and 8 to be submitted to the external auditor with all the normal AGAR paperwork.
11. Check that the AGAR sheets 1 and 2 have been properly signed, dated, minute reference noted, and minuted in sheet numerical order (i.e. Governance first, then Accounting).
12. Ensure that the public rights notice has been posted on the website and noticeboards showing the selected 30 days' access period, and also that the announcement date is at least one day prior to day one of the period.

Finally, the internal auditor will complete and sign off the internal audit report on the AGAR (currently with a required "wet" signature), ready for sending to the external auditor or, if self-certificating, for placing on the council website and noticeboard(s).