

# FLIXBOROUGH PARISH COUNCIL

## Review of the effectiveness of Internal Control

### Introduction

Regulation 4 of the Accounts and Audit Regulations imposes a duty on local councils to ensure “that the financial arrangements 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 a review of the effectiveness of its system of internal control.

### An effective system of control has three elements

Identification of the Potential Risk (Risk Management) 2. Controls of Procedures in place to mitigate the risks identified (Control Systems) 3. System for testing the adequacy of internal controls (Internal Audit).

#### **1. Risk Management**

The Parish Council updates the Financial Risk Assessment yearly in April.

The Parish Council carries out a yearly inspection of the Parish Councils assets. The information obtained in the inspection enables the Parish Council to plan for any maintenance work required and to update the Asset Register.

#### **2. Control Systems**

The Parish Council reviews its Bank Mandate yearly (if not needed sooner) and all amendments are authorised by the Parish Council.

Some internal controls are listed in the Financial Regulations document (this is updated yearly), however, the Parish Councils system of controls go beyond the Financial Regulations document and are listed below.

#### Cash Book/Bank Reconciliations

- The cash book is kept electronically, maintained up to date from original documents.
- The cash book is reconciled to the bank statement monthly.
- A summary sheet with budget against actual expenditure and income is presented at each Parish Council meeting.
- All payments are reported at each Parish Council meeting before they are made. Unless the RFO has dispensation to make the payment outside the meeting, in which case it will be reported at the first meeting after the payment was made.

#### Payment Controls

- Payments are listed in cheque number order in the cash books and in account files.
- All invoices for payment are listed and presented at the council meeting the expenditure is to be authorised for payment.
- All original invoices are available to the parish councillors signing the cheques.

#### VAT Repayment Claims

- The RFO ensures that all invoices are addressed to the Parish Council
- The RFO maintains a VAT account to show that the correct amount of VAT is reclaimed.

#### Income Controls

- The RFO ensures that the amount of the precept received is correct in accordance with the precept requested from the District Authority.
- The RFO ensures that the precept instalments are received when due.

#### Payroll Controls

- The Clerk is paid under PAYE as an employee.
- The Clerks salary is set as per their contract.

#### Office and Clerks expenses

- Expenses are paid by cheque and the expense summary treated as an invoice for accounting purposes.

#### Asset Control

- The RFO maintains a full asset register.

### **3. Internal Audit: (of which there are 5 areas to consider)**

Scope: The Internal Audit covers the internal control processes identified by the Parish Council as well as matters directly related to the Annual Return.

Independence: The Internal Auditor has direct access to the RFO and reports in their own name to the Council. The auditor has no other role within the Council and the reporting is unbiased and objective.

Competence: The internal audit is carried out by an accredited accountancy firm.

Relationships: The Clerk is consulted on the internal audit arrangements.

#### Review of the effectiveness of the system of Internal Audit

The Internal Auditor has access to the Parish Council's documentation of its internal control processes, financial risk assessment, health and safety risk assessments, insurance schedule, asset register, Standing Orders, Financial Regulations, Accounts and policies, as well as to previous Annual Returns and relevant information. These inform the internal audit. The internal audit is an opportunity for discussion about new developments in the audit service, risk management and corporate governance.

The internal audit is relevant for the completion of the Statement of Assurance at Section 1 of the Annual Return as well as being essential to the completion of the Annual Internal Audit Report.

The Report is reviewed by the next Parish Council meeting and any necessary actions resolved.

The RFO has no recommendations to make to the Parish Council in light of the review.

Findings of the review were considered by the Parish Council at their meeting held on 9<sup>th</sup> April 2019.