

## SWEFLING PARISH COUNCIL

### INTERNAL CONTROL REPORT

We are maintaining an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and we have reviewed its effectiveness. To warrant a positive response to this assertion, the following processes need to be in place and effective: **Standing Orders and Financial Regulations** governing how it operates. These need to be regularly reviewed, fit for purpose, and adhere to Safe and Efficient Arrangements to Safeguard Public Money.

***Authorities need to regularly review the effectiveness of their arrangements to protect money. Every authority needs to arrange for the proper administration of its financial affairs and ensure that one of its officers (the RFO) has formal responsibility for those affairs.***

Authorities ensure ***controls over money*** by embedding these controls in **Standing Orders and Financial Regulations**. Section 150(5) of the Local Government Act 1972 requires cheques or orders for payment to be signed by two elected members. Whilst this requirement has now been repealed, the 'two-member signatures' control needs to remain in place until such time as the authority has put in place safe and efficient arrangements.

- Authorities need to approve the setting up of, and any changes to, accounts with banks or other financial institutions.
- The authority needs to approve
  - every bank mandate
  - the list of authorised signatures for each account
  - the limits of authority for each account signature and any amendments to mandates.
- Risk assessment and internal controls need to focus on the safety of the authority's assets, particularly money.
- Those with direct responsibility for money need to undertake appropriate training from time to time.

#### **Employment**

- The remuneration payable to all employees needs to be approved in advance by the authority.
- The authority must have robust payroll arrangements which cover the accuracy and legitimacy of payments of salaries and wages, and associated liabilities.
- The authority needs to ensure that it has complied with its duties under employment legislation and has met its pension obligations.

#### **VAT**

- The authority needs to have robust arrangements in place for handling its responsibilities regarding VAT.

### **Fixed Assets and Equipment**

- The authority's assets need to be secured, properly maintained, and efficiently managed.
- Appropriate procedures need to be followed for any asset disposal and for the use of any resulting capital receipt.

### **Review of effectiveness**

- Regulation 6 of the Accounts and Audit Regulations 2015 requires the authority to conduct a ***financial year review*** of the effectiveness of the system of internal control. The review needs to inform the authority's preparation of its annual governance statement.

### **Compliance with laws, regulations and proper practices**

- We take all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and proper practices that could have a significant financial effect on the ability of this smaller authority to conduct its business or on its finances.
- Acting within its powers — All authorities' actions are controlled by statute. Therefore, appropriate decision-making processes are in place to ensure that all activities undertaken fall within an authority's powers to act.
- Authorities need to have robust procedures in place to prevent any decisions or payments being made that are ultra vires, i.e. that the authority does not have the lawful power to make.
- The exercise of legal powers needs always to be carried out reasonably. For that reason, authorities making decisions need always to understand the power(s) they are exercising in the context of their decision making.
- General power of competence — An authority seeking to exercise a general power of competence under the Localism Act 2011 needs to ensure that the power is fully understood and exercised in accordance with the Parish Councils (General Power of Competence) (Prescribed Conditions) Order 2012.
- Regulations and proper practices — Procedures are in place to ensure that our authority's compliance with statutory regulations and applicable proper practices is regularly reviewed and that new requirements, or changes to existing ones, are reported to members and applied. Authorities need to have particular regard to the requirements of the **Accounts and Audit Regulations 2015**

### **Actions during the year**

- An authority needs to have satisfied itself that it has not taken any decision during the year, or authorised any action, that exceeds its powers or contravenes any laws, regulations, or proper practices.

**Email management** every authority should have an email account that belongs to the council and to which the council has access – this ideally would be a .gov.uk or .org.uk address or could be an address linked to the council website. Our address has been changed to ensure proper control and is now sweffling.clerk@gmail.com

**Exercise of public rights** We provided proper opportunity during the year for the exercise of electors'

rights in accordance with the requirements of the Accounts and Audit Regulations. In order to warrant a positive response to this assertion the authority has taken the following actions in respect of the previous year's accounts and audit. The authority provided for the exercise of public rights as set out in Sections 26 and 27 of the Local Audit and Accountability Act 2014. Part 5 of the Accounts and Audit Regulations 2015 which requires the RFO to have published, including on the authority's website or another website:

- Sections 1 and 2 of the Annual Governance and Accountability Return;
- Declaration that the status of the statement of accounts is 'unaudited';
- Statement that sets out details of how public rights can be exercised, as set out in Regulation 15(2)(b), which includes the period for the exercise of public rights.
- Internal Auditor's Review — A notice of the conclusion of the internal auditor's limited assurance review of the Annual Governance and Accountability Return, together with relevant accompanying information in accordance with the requirements of Regulation 16 the Accounts and Audit Regulations 2015.

**Risk management** We carried out an assessment of the risks facing this smaller authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required. In order to warrant a positive response to this assertion, the authority needs to have the following arrangements in place:

- Identifying and assessing risks — The authority needs to identify, assess and record risks associated with actions and decisions it has taken or considered taking during the year that could have financial or reputational consequences.
- Addressing risks — Having identified, assessed and recorded the risks, the authority needs to address them by ensuring that appropriate measures are in place to mitigate and manage risk. This might include the introduction of internal controls and/or appropriate use of insurance cover.
- Internal Audit We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems. In order to warrant a positive response to this assertion, the authority needs to have taken the following actions
  - The authority needs to undertake an effective **internal audit** to evaluate the effectiveness of its risk management, control and governance processes considering internal auditing guidance for smaller authorities (SALC are our internal auditors.)\*
- Provision of information
  - The authority needs to ensure it has taken all necessary steps to facilitate the work of those conducting the internal audit, including making available all relevant documents and records and supplying any information or explanations required.
- Reports from Auditors We have taken appropriate action on all matters raised in the 2021/22 report from internal audit.
  - To warrant a positive response to this assertion, the authority needs to have considered all matters brought to its attention by its internal audit and have taken corrective action as appropriate (most on or before 29<sup>th</sup> June 2023, some ongoing. New Parish Clerk/RFO appointed 29<sup>th</sup> June, 2023)

- Significant events We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this smaller authority and, where appropriate have included them in the accounting statements. To warrant a positive response to this assertion, the authority has taken the following actions where necessary:
  - Significant events — The authority has considered if any events that occurred during the financial year (or after the year-end), have consequences, or potential consequences, on the authority's finances. If any such events are identified, the authority then needs to determine whether the financial consequences need to be reflected in the statement of accounts. No such events were identified for 2022/23.
- Approval process. The authority needs to approve the annual governance statement by resolution of members of the authority meeting as a whole, in advance of the authority approving the accounting statements in Section 2 of the Annual Governance and Accountability Return.
  - The Chair of the meeting and the Clerk need to sign and date the annual governance statement and a minute reference entered. On 29<sup>th</sup> June 2023 the statements were signed by the Vice Chairman, in the Chairman's absence for which apologies were received, and prior to the Clerk taking up her role as RFO which will be after training has been undertaken.

**Proper practices – The Statement of Accounts.** The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 require all authorities to prepare a statement of accounts for each financial year in accordance with proper practices. For our smaller authority, the statement of accounts needs to be prepared in accordance with, and in the form specified in, any **Annual Governance and Accountability Return** required by these proper practices in relation to accounts.

- Section 2 of the Annual Governance and Accountability Return is a smaller authority's statement of accounts and takes the form of a summary income and expenditure account and a statement of balances. Where an authority's gross income or expenditure is not more than £200,000 for that year, or for either of the two immediately preceding financial years, the statement may take the form of a summary receipts and payments account.
- An authority's statement of accounts needs to be in the form set out in Section 2 of the Annual Governance and Accountability Return. The figures entered in the relevant cells are the authority's receipts and payments for the year, or its income and expenditure, as appropriate. This guide assumes that most authorities maintain current records on a receipts and payments basis and convert these to income and expenditure at the year end, if necessary.
- All highlighted cells of the Annual Governance and Accountability Return need to be completed, including writing 'nil' or '0' in any cell that does not apply. Leaving cells blank may lead to questions by readers who may not be sure if the compiler intended a nil balance or whether an omission or error has occurred.
- All figures in Section 2 of the Annual Governance and Accountability Return need to agree to the authority's primary accounting records. The RFO needs to be able to show how the figures in the Annual Governance and Accountability Return reconcile to those in the cashbook and other primary accounting records. Members need to see this reconciliation

when they are asked to approve the statement of accounts in the Annual Governance and Accountability Return.

- Interested persons inspecting the accounts have a legal right to inspect the accounting records and all books, deeds, contracts, bills, vouchers, receipts and other documents relating to those records, including this reconciliation.
- The accounting statements present two years' accounts for the authority, side by side. The prior-year figures can be taken directly from the previous year's Annual Governance and Accountability Return. The figures for the preceding financial year are shown in the first column so that members, local electors, residents and other interested parties can easily see any significant changes that have occurred during the current year and help to set the context in which the accounts need to be viewed.
- Where an error has been identified in the prior year's accounts, after the external auditor's review, which has resulted in the carried forward figure in Line 7 being amended, then the corrected figure needs to be carried forward to the current year's Annual Governance and Accountability Return. The authority must clearly indicate that the prior year column in the accounting statements is 'Restated' and inform the external auditor. Treatment of amounts refunded/reimbursed Receipts and payments reporting Refund/reimbursement of amounts paid or received must always be reported gross in R & P reporting in the AGAR.
- Income and expenditure reporting Refund/reimbursement of amounts paid or received should only be reported net where the refund is paid to/received from the original payee/payer.
- Refunds/reimbursements from third parties (e.g. insurance providers) should never be netted off but always reported gross.
- **N.B. Authorities that participate in joint arrangements/committees must ensure that their own accounting records fully and accurately reflect the authority's appropriate share of joint arrangement/committee reserves, income, expenditure, assets and liabilities.** ( In future this may relate to Clerk's training costs which may be shared with another Parish Council.)

**Notwithstanding who prepared the statement of accounts, it is the responsibility of the authority's RFO to certify it as either presenting fairly the financial position of the authority or properly presenting its receipts and payments, as the case may be. In so certifying the RFO confirms that proper practices have been followed in preparing the statement of accounts. Signature of chair - After the RFO has signed the statement of accounts, the members of the authority meeting as a whole need to consider it and approve it by resolution. Alongside the RFO's certificate, the person presiding at the meeting at which the statement of accounts is approved needs to confirm, by signing and dating the statement at the bottom of Section 2 of the Annual Governance and Accountability Return, that the accounts have been approved by the authority in accordance with the Accounts and Audit Regulations 2015.**

**The authority needs to ensure that the accounting statements are signed by the RFO and approved by the authority, by the latest date in order for the RFO to comply with the duty to commence the period for the exercise of public rights so that it includes the first ten working days of July.**

There is no provision in the Annual Governance and Accountability Return (AGAR) for **additional notes to explain and expand on the figures shown in the accounting statements**. To address this, authorities need to provide the following accompanying information to the external auditor, where

Form 3 of the AGAR is subject to review by the external auditor.

- O **Explanation of variances** - Authorities need to understand the changes in income and expenditure from year to year and their significance. The RFO needs to produce an explanation of significant variances in annual levels of income, expenditure and balances shown in Section 2 of the Annual Governance and Accountability Return that provides a sufficiently detailed and meaningful analysis and explanation of the reasons for the change.
- O **Bank reconciliation** The year-end bank reconciliation needs to be provided to the external auditor together with the Annual Governance and Accountability Return and other accompanying documentation. The external auditor may request that other information is provided to support their review of the Annual Governance and Accountability Return. The authority needs to comply with any such requests.
- O **Certificate of exemption** - Where an authority meets the criteria for certifying itself exempt in the year of account to which the AGAR relates and wishes to certify itself exempt from a limited assurance review, it needs to complete the Declaration of No Accounts and Certificate of 22 Exemption in AGAR Form 1 or Certificate of Exemption in AGAR Form 2 following a meeting of the authority after 31 March; return a copy of the exemption certificate to the external auditor by 30 June and publish a copy on the authority's website before the 1 July immediately following the financial year end.

\*SALC is *Suffolk Association of Local Councils*

## Swefling Parish Council 2023

## INTERNAL CONTROL CHECK LIST

Control Test	Test Done	Date and notes
Updated Asset Register checked	YES	Checked and signed 29/06/2023
Updated land asset report checked	YES	Checked and signed 29/06/2023
Regular maintenance arrangement of physical assets	YES	2022/23 Chairman of Council (no RFO or Clerk) 2023/24 to be determined at 11 <sup>th</sup> July 2023 meeting
Annual review of risk and the adequacy of insurance cover	YES	Clerk (resigned April 2022)
Annual review of financial risk	YES	Chairman of Council (no RFO or Clerk) with assistance of Councillor JC who did not seek re-election in May 2023
Awareness of Standing Orders and Financial Regulations	NO	For 2023/24 a pack is being prepared for Councillor's essential information and suggested further reading
Adoption of Financial and Standing Orders	YES	Circulated prior to meeting and adopted on 29 <sup>th</sup> June 2023. Annual review dates TBC at 11 <sup>th</sup> July 2023 meeting
Regular Bank Reconciliation independently reviewed	YES	Determined on 29 <sup>th</sup> June 2023 that this will be at every meeting and at the year end for 2023/24
Regular scrutiny of financial records and proper arrangements for approval of expenditure	YES	Determined on 29 <sup>th</sup> June 2023 that this will be at every meeting and at the year end for 2023/24
Recording in the Minutes or appendices of the Minutes the precise powers under which expenditure is being approved	YES	
Variances reported	YES	
Payments supported by invoices, authorised and Minuted	YES	
Regular scrutiny of income records to ensure income is correctly received, recorded and banked	NO	Determined on 29 <sup>th</sup> June 2023 that this will be at every meeting and at the year end for 2023/24
Scrutiny to ensure precept recorded in the cash book agrees to District Council notification	YES	Annually

Ensure all CIL payments and Grants are properly recorded and appropriate reporting given in a timely manner	NO	From 2023/24 this will be done by the Clerk and checked when appropriate
Contracts of employment for staff	YES	Contracts will be reviewed annually and an annual appraisal carried out. Records will be updated for current legislation. PAYE scheme is operated through SALC (Suffolk Association of Local Councils)
VAT correctly accounted for, VAT payments identified, recorded in cash book	YES	
Regular financial reporting to Parish Council	YES	2023/24 onwards will be at every Parish Council Meeting (10 meetings per annum)
Regular Budget Monitoring statements	NO	2023/24 onwards variances will be reported to every Parish Council meeting
Minutes properly numbered and paginated with a master copy kept for safe keeping	NO	2023/24 onwards, Minutes will be numbered e.g. 2023/24 1 of 10 and paginated in format Page (no.) of (no.) of pages
Compliance with Local Government transparency code 2015	YES	
Procedures in place for recording and monitoring Members' Interest and Gifts of Hospitality	YES	Via East Suffolk Council website
Adoption of Codes of Conduct for Members	YES	29 <sup>th</sup> June 2023
Declaration of Acceptance of Office	YES	On election or co-option of members and on appointment of Parish Clerk
Financial Year Review of the effectiveness of the system of internal control	YES	After year end prior to 29 <sup>th</sup> June, 2023
Email management	YES	From 2023/24 only the clerk will have access to the email address <a href="mailto:sweffling.clerk@gmail.com">sweffling.clerk@gmail.com</a> . Systems of emailing will be reviewed with the newly appointed clerk once she has received training
Exercise of Public rights properly controlled	YES	
Actions during year checked do not exceed powers or contravene laws, regulations or proper practices	YES	
Risk Management carried out	YES	

Approved in principle 29<sup>th</sup> June, 2023 for further discussion, potential amendments and approval following internal audit 2022/23 comments. As the audit will not be completed by 11<sup>th</sup> July 2023 Parish Council meeting and there is no meeting in August, this will be finalised at the September 2023 Parish Council meeting.