



# Winfarthing Parish Council

## Statement of Internal Control

### 1. Scope of Responsibility

The Accounts and Audit Regulations 2015 state that a Council shall be responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

Winfarthing 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 Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

### 2. The Purpose of the System 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 Responsible Finance Officer (RFO) but it falls on the 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.

### 3. The internal Control Environment

**3.1.** The Council has appointed a Chair who is responsible for the smooth running of its meetings and for ensuring that all Council decisions are lawful. The Council reviews its obligations and objectives and budgets at the level of precept required for the following year at its December Meeting. The Council monitors progress against its aims and objectives at its meetings by receiving relevant reports from the Clerk. The Council regularly reviews its internal controls, systems and procedures.

#### **3.2. The Clerk/Responsible Finance Officer**

The Council has appointed a Clerk of the Council who acts as the Council's advisor and administrator. The Clerk is the Council's Responsible Financial Officer and is

Adopted 5<sup>th</sup> February 2024  
Reviewed February 2026  
Next review February 2027

responsible for administering the Council's finances. The Clerk is responsible for the day-to-day compliance with laws and regulations that the Council is subject to and for managing risks. The Clerk also ensures that the Council's procedures, control systems and policies are adhered to.

### **3.3. Payments**

All payments are approved by Council. Three signatories are appointed from which two are required to sign every cheque, BACS Payment (where appropriate) or mandate.

### **3.4. Risk Assessment and Management**

The Council carries out regular risk assessments in respect of its activities and regularly reviews its system and controls.

### **3.5. Internal Audit**

The Council appoints an independent, competent internal auditor who reports to the Council on the adequacy of its systems and procedures, internal controls and risk management and its reviews of these matters. The effectiveness of internal audit is reviewed annually.

### **3.6. External Audit**

Due to the level of turnover being under £25,000 there is no requirement for a limited assurance review or to submit an Annual Governance & Accountability return for external audit provided that the Council complies with the exemption process. If the Council does not wish or cannot certify itself as exempt a completed return will be made to the external auditor which in turn submits an annual Certificate of Audit which is presented to the Council.

## **4. Review of Effectiveness**

The Council has responsibility for conducting an annual review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of:

- The Council
- The Clerk/RFO who has responsibility for the design and maintenance of the internal control environment and managing risk
- The independent internal auditor who reviews the Council's systems of internal control
- The Council's external auditor who makes the final check using the annual return, a form completed and signed by the RFO, the chairman and internal auditor.

## **5. Significant Internal Control Issues**

Whilst no significant internal control issues were identified during the year, the Council strives for the continuous improvement of the system it has designed for internal control and has addressed all of the minor issues and weaknesses raised and reported during the review process.

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| <b>Cash Book/Bank Reconciliations</b> | <ul style="list-style-type: none"> <li>• The cash book is kept electronically (in spreadsheet format) and maintained up to date from original documents.</li> <li>• The cash book is reconciled to the bank statement at least monthly.</li> <li>• The cash book, payments and receipts and bank reconciliation are reviewed and approved by a nominated member of the Parish Council every six months.</li> <li>• The Councillor/s is/are nominated annually at the May meeting of the Council, and must not be a bank signatory.</li> </ul>  |
| <b>Financial Regulations</b>          | <ul style="list-style-type: none"> <li>• The Parish Council has adopted financial regulations; the regulations are reviewed for continued relevance and amended where necessary.</li> </ul>  |
| <b>Order/Tender Controls</b>          | <ul style="list-style-type: none"> <li>• 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.</li> <li>• Official orders/letters/emails are sent to suppliers for services which are not regular in nature.</li> </ul>   |
| <b>Payment Controls</b>               | <ul style="list-style-type: none"> <li>• Payments are listed in cheque number order or payment date order in the cash book and in accounts files.</li> <li>• All invoices for payment are listed on the meeting agenda where the expenditure is to be authorised for payment.</li> <li>• Approved payments are listed in the minutes of the meeting.</li> <li>• Invoices are available to all Councillors but in particular to the Councillors signing the cheques or authorising electronic payments.</li> <li>• Cheques will be signed, or electronic payments will be authorised by two councillors, who are authorised to sign on the Council's bank mandate.</li> <li>• Councillors, when signing the cheques or authorising electronic payments, will ensure that there is an invoice or other documentation that corresponds with the payment and that the payment is listed on the agenda and has been agreed by the council.</li> <li>• Invoices will be signed by the signatory confirming details correspond with the cheque details.</li> <li>• The RFO is authorised to transfer funds from one account to another, but not to make third party payments outside of the bank accounts in any form.</li> <li>• The RFO maintains control of the cheque book at all times.</li> <li>• The RFO is not a signatory to the bank accounts.</li> </ul> |

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|                             | <ul style="list-style-type: none"> <li>When invoices are paid, they are identified by the cheque number or payment date and referenced in the cashbook.</li> </ul>  |
| <b>VAT Repayment Claims</b> | <ul style="list-style-type: none"> <li>The RFO ensures that all invoices are addressed to the Parish Council.</li> <li>The RFO ensures that proper VAT invoices are received where VAT is payable.</li> <li>The RFO maintains a VAT account to show that the correct amount of VAT is reclaimed in the year.</li> </ul>   |
| <b>Income Controls</b>      | <ul style="list-style-type: none"> <li>The RFO ensures that the amount of the precept received is correct in accordance with the precept request sent to the District Council.</li> <li>The RFO ensures that other receipts are received when due.</li> <li>The RFO ensures that income is banked promptly.</li> <li>Where possible at least two people are involved in banking large amounts of cash.</li> </ul> |
| <b>Financial Reporting</b>  | <ul style="list-style-type: none"> <li>A budget control report, comparing actual receipts and payments to the budget is prepared on at least a quarterly basis, presented to the Parish Council in advance of the meeting and minuted as such.</li> </ul>   |
| <b>Budgetary Controls</b>   | <ul style="list-style-type: none"> <li>The budget is prepared in consultation with the Parish Council, as evidenced by reports and minutes in advance of the start of the year.</li> <li>The precept is set on the basis of the budget by the deadline set by the District Council</li> </ul>   |
| <b>Payroll Controls</b>     | <ul style="list-style-type: none"> <li>The Clerk is paid under PAYE as an employee and the necessary system of HMRC RTI is in place.</li> <li>The Clerk's salary is set by the Council and minuted as such.</li> <li>The RFO will ensure that all the necessary payroll returns are made to HMRC and will retain evidence that this has been done.</li> </ul>   |
| <b>Clerk's Expenses</b>     | <ul style="list-style-type: none"> <li>The Clerk submits a request for reimbursement of monies owing in advance of each meeting.</li> </ul>   |
| <b>Asset Control</b>        | <ul style="list-style-type: none"> <li>The RFO maintains a full asset register.</li> <li>The existence and condition of assets are checked on an annual basis.</li> <li>The adequacy of insurance of the Parish Council's assets is considered annually in advance of the insurance renewal.</li> </ul>   |
| <b>Auditing</b>             | <ul style="list-style-type: none"> <li>The RFO ensures that the accounts are audited in line with practice laid down in 'Governance and Accountability for Local Councils'.</li> <li>The Council will nominate and agree the work to be undertaken by the Internal Auditor annually.</li> <li>The accounts will be audited at the year end.</li> </ul>  |

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|  | <ul style="list-style-type: none"><li>• The outcome of the internal audit report is discussed and minuted at a full council meeting.</li></ul> |
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