

LAVERSTOCK & FORD PARISH COUNCIL

Report for Agenda Item 24.070 Review of Effectiveness of Internal Controls

Subject: Review of Effectiveness of Internal Controls

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1. Report Summary.

- 1.1 This report outlines the measures taken by the Council for the internal control of its finances in order that they can be reviewed and confirmed prior to approving the Annual Governance Statement Assertion 2.

2. Background.

- 2.1 The Accounts and Audit Regulations 2015, regulation 3 states that the Council must ensure that it has a sound system of internal control. Regulation 6 states that the Council shall conduct a review of the effectiveness of the system of internal control each financial year.
- 2.2 The Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide lists the processes that need to be in place.

3. Review of Effectiveness of Internal Control

- 3.1 The Council is required to have Standing Orders and Financial Regulations that are both regularly reviewed. Amendments to Financial Regulations are on the agenda for approval following recent observations by the internal auditor.
- 3.2 The following summary of processes explains how the Council complies with Financial Regulations.
 - 3.2.1 **Section 1: General.** The RFO produces accounting records using the online Scribe Accounting system. These are updated at least monthly and are presented to a member of the Finance and General Purposes Committee prior to every Council meeting. All members of FGP have read-only access to Scribe. The Council approves the accounts every month.
 - 3.2.2 **Section 2: Accounting and Audit.** The RFO and Clerk meet with the Internal Auditor annually to review all records and processes. The Internal Auditor has read-only access to the Council's Scribe Accounting system and uses this facility to monitor all aspects of the Council's finances.
 - 3.2.3 **Section 3: Annual estimates and Planning.** The RFO produces a draft budget in early December for consideration by the Finance and General Purposes Committee. A final budget proposal is presented for the approval of the Council in December or early January.

3.2.4 Section 4: Budgetary Control and Authority to Spend. The budget for each item of approved Revenue Income and Expenditure is entered on Scribe and a report produced monthly showing actual progress and variance against budget. This is approved by Council. All items of expenditure in excess of £5,000 are approved in advance by the Council. All payments, including salaries, are examined monthly by a member of the Finance and General Purposes Committee and approved by Council.

3.2.5 Section 5: Banking Arrangements and Authorisation of Payments. Banking arrangements including mandates and signatory access are made by the RFO and approved by Council. The RFO produces a monthly schedule of payments with supporting invoices and other documents. This is signed by a member of the Finance and General Purposes Committee and approved by Council.

3.2.6 Section 6: Instructions for the making of Payments. All payments are created by the RFO or the Clerk. Most are online BACS payments but they can also be made by debit card or by cheque. BACS payments are checked and authorised by two members of the Finance and General Purposes Committee. Debit card payments are checked and authorised by the Council after payment except when they are over £1,000 when prior approval is required. Cheques require three signatures by authorised councillors.

3.2.7 Section 7: Payment of Salaries. Salary payments are made at the same time as other BACS payments and checked and authorised by two members of the Finance and General Purposes Committee. The rates of pay are approved by the Council or the Personnel Committee. All deductions including tax, national insurance and pensions are calculated by a contracted professional payroll provider and checked by the RFO.

3.2.8 Section 8: Loans and Investments. The Council has no borrowings. Investments comply with an approved Annual Investment Strategy.

3.2.9 Section 9: Income. The RFO is responsible for monitoring income and invoicing when required. Cash is not held or accepted as a method of payment.

3.2.10 Section 10: Orders for work, goods and services. The RFO issues all purchase orders except for minor purchases under £100. No member will make a contract or order.

3.2.11 Contracts, Assets, Insurance and Risk Management. The Clerk and RFO are jointly responsible for ensuring compliance with other sections of Financial Regulations.

4. Recommendation.

- 4.1 That the Council resolves to confirm that it has conducted a review of the effectiveness of the system of internal control required by regulations 3 and 6 of The Accounts and Audit Regulations 2015.