

BREEDON ON THE HILL PARISH COUNCIL
Statement of Internal Control Systems to Prevent or Detect Fraud and Annual Review of
Effectiveness of Internal Control
4TH JUNE 2018 – REVIEWED APRIL 2020.

OVERVIEW

Regulation 4 of the Accounts and Audit Regulations, 2003 as amended, imposes a duty on local councils to ensure “that the financial management 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, in accordance with proper practices, a review of the effectiveness of its system of internal control. The council is required to sign the annual governance statement (on the annual return submitted to the external auditor) to evidence that this review has been undertaken.

In order for the Parish Council to review the effectiveness of the internal control system there needs to be clarity on the internal controls in place.

Some internal controls are listed in the Financial Regulations document, but the system of controls goes beyond this. A Statement of Internal Controls has therefore been prepared and this is included following this report.

The Clerk and Proper Officer to the Council is also the Responsible Financial Officer (RFO). All financial transactions are overseen and administered by the RFO, reported in the monthly expenditure and payments list, approved by the Council and recorded in the minutes of its monthly meetings.

INCOME

The majority of the income of the Council comprises the payment of the Council Tax Precept twice-yearly by North West Leicestershire District Council directly into the Council's bank account with HSBC.

Other sums, e.g. grants and miscellaneous income, are received either directly into the bank or, if by cash or cheque, are deposited into the bank at the earliest convenient opportunity. Bank interest shown on statements is recorded in the accounts.

EXPENDITURE

All payments from the Council's HSBC Current account are made only upon receipt of an invoice or other written authority acceptable to the Responsible Financial Officer and to the Council. All documents are made available for inspection by members prior to approval and at other times when required. Payments are made by cheque in accordance with the Mandate required by the bank.

PAYMENT CONTROLS

Depending on the nature of the supply, the RFO checks the purchase invoice to indicate that the supply has been received, that the supply has not previously been paid and that the invoice calculations are correct.

Purchase orders/emails/letters ordering the work are matched to purchase invoices where applicable.

Payments will be listed in cheque number order in the cash books and in accounts files.

All invoices for payment are listed on the report tabled at a meeting where the expenditure is to be authorised for payment.

Payments made list forms part of the minutes of the meeting.

Original invoices are available to the Councillors signing the cheques.

Cheques will be signed by two councillors, who are authorised to sign on the Council's bank mandate.

The RFO is authorised to transfer funds from one account to another and make the necessary BACS payments once approved by full council.

The RFO maintains control of the cheque book at all times, cheques will only be issued and signed for payments approved in Council meetings except for special circumstances whereby the Chairman and Vice Chairman give authority.

When invoices are paid by cheque, they are with identified by the cheque number and referenced in the cashbook by the cheque number, as well by the unique identifier. This is cross checked with the bank statements.

BACS payments are approved by Full Council, in line with cheque payments above, and duly made and released in accordance with financial regulations.

FINANCIAL REGULATIONS AND STANDING ORDERS

The Parish Council has adopted financial regulations and standing orders, based on the model versions prepared by NALC/SLCC. The regulations and orders are reviewed for continued relevance at least annually and amended where necessary by the Responsible Financial Officer with any proposed amendments subject to approval by the Parish Council.

BUDGETARY CONTROLS

The budget is prepared in consultation with the Parish Council, as evidenced by reports and minutes in advance of the start of the year.

The precept is set on the basis of the budget by the deadline set by North West Leicestershire District Council.

PAYROLL CONTROLS

Staff contracts are prepared by the Clerk and agreed by the Full Council and are reviewed and amended where necessary by the Clerk and approved by the Council.

All employees are paid under PAYE as an employee and the necessary system for HMRC RTI is in place.

All employees' salaries are set by the Council and a minute is prepared to show the agreed salary.

Any additional hours are agreed to and paid in line with staff contracts.

The salaries are paid by BACS/Cheque.

The RFO will ensure that all the necessary payroll returns are made to HMRC and will retain evidence that this has been done.

BANK ACCOUNTS

The Council operates one Current Account and one Deposit Accounts with HSBC. Interest is maximised wherever possible by transfers to and from the main Deposit Account arranged by the RFO.

Bank Reconciliation's are made quarterly, submitted to the Internal Auditor and reported to the Council in the next following Finance Report.

CASH

Other than any minimal amount of cash received and awaiting banking, no cash or petty cash is kept in hand.

AUDIT

The Internal Auditor checks, advises and receives the quarterly bank reconciliation during the year and completes the required section of the Annual Return.

The annual submission to the External Auditor is carried out in accordance with current regulations and the Auditor's requirements.