



MELTON PARISH COUNCIL

MPC(19)24.06

REVIEW OF INTERNAL CONTROL POLICY FOR THE YEAR ENDING 31 MARCH 2019

1. SCOPE OF RESPONSIBILITY

Melton Parish Council (the Council) is 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 effective 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 Clerk / Responsible Finance Officer but it also falls to 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. PERSONNEL INVOLVED WITH THE INTERNAL CONTROL ENVIRONMENT

3.1 The Council

- The Council has appointed a Chairman who is responsible for the smooth running of meetings and for ensuring that all Council decisions are lawfully taken.
- Chairmen of Committees exercise similar responsibilities under delegated authority within their terms of reference.
- The Chairman of each meeting signs each page of the minutes.
- Decisions made are within the Standing Orders and Financial Regulations laid down and approved by the Council.

- The Council reviews its obligations and objectives and approves budgets for the following year at its January meeting.
- The January meeting of the Council approves the level of precept for the following financial year.
- The Council and its Finance, Employment and Risk Management (FERM) Committee receive regular financial statements which they approve at their meetings.
- Payments are made in accordance with Standing Orders and Financial Regulations.
- Two Councillors (out of the five currently named signatories) must and do sign all cheques. The signatories will also initial the cheque stub. The signatories will ensure that the cheque agrees with the amount of the invoice and the payee named on the invoice. The Clerk / RFO may not authorise cheque payments. However the new Treasurer's Account with Lloyds Bank will have a debit card which will be used for low value routine purchases and where the payee will not accept cheques, to reduce the both the Council's exposure to bank charges and the need for staff to pay for items from their own resources and reclaim the monies. Use of the debit card will be regulated under the Council's Financial Regulations.
- Internal control issues are reviewed regularly by Full Council and FERM Committee.
- The Council has an up to date Risk Register which is reviewed both by Full Council and FERM Committee and actions are put in place to either control, mitigate or remove risks as they occur.

3.2 Clerk to the Council / Responsible Financial Officer

The Council has appointed a Clerk to the Council who acts as the Council's advisor and administrator. The Clerk is also the Council's Responsible Financial Officer (RFO) and is responsible for administering the Council's finances. The Clerk is responsible for the day to day compliance with legislation and policies and for managing risks. The Clerk also ensures that the Council's procedures, control systems and policies are maintained. The duties of the Clerk / RFO are laid down in a Job Description which is subject to review.

The RFO manages the timetable for the audit programme, Council approval of the annual return, and the compliance with the electors' rights. The RFO submits all the requested information to the External Auditor by the agreed date and arranges for the required publication of notices, accounts and returns.

The RFO will retain all relevant documents relating to the financial year for 6 years (Annual Return, VAT Returns, PAYE/NIC information, Public notices, Fixed Asset register, risk assessments; accounts and supporting information).

3.3 Internal Auditor

The Council has appointed an Independent Internal Auditor (the IA) who will report to the Council on the adequacy of the Council's:

- Records, procedures and systems

- Book-keeping and bank reconciliations
- Financial regulations and standing Orders
- Budgetary controls
- Asset management
- Payment controls
- Risk management
- Statutory / regulatory compliance
- Regular reviews of the effectiveness of internal control.

The effectiveness of the internal audit is reviewed annually, and the Council reviews the appointment of the IA. The IA, who is competent and independent, will carry out the work required in accordance with the Governance and Accountability Guide for Local Councils and additionally will be advised of any additional work required by the Council.

The scope of the work of the IA is reviewed annually and the review and the appointment is minuted.

The IA will inspect the accounts at the year end (prior to completion of the Annual Return pages 2 and 3) and will complete page 5 of the Annual Return.

The IA will write a separate report to the Council (a copy of which is sent to the Chairman) detailing any findings they might have.

The report of the IA is copied to all Members of the Council and considered as an agenda item at the next meeting. Recommendations from the report will be recorded in the minutes.

3.4 External Audit

The Council's External Auditors submit an External Auditor's Report, 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 is informed by the work and any issues identified by:

- Full Council – identification of new activities
- Clerk to the Council / RFO who has responsibility for the development and maintenance of the internal control environment and managing risks
- IA, who reviews the Council's system of internal control and who makes a written report to the Council
- The Council's External Auditors, who make the final check using the Annual Return, a form completed and signed by the RFO, the Chairman and the IA. The External Auditor issues an annual audit certificate – action arising from Audit Report.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

No internal control issues were identified during the financial year to 31 March 2018 or to date in 2018/19.

6. EXTERNAL AUDIT OPINION

There were no matters raised on the Annual Return for the financial year to 31 March 2018, save for one relating to the timing of the approval of Sections 1 and 2 of the Annual Governance and Accountability Return. However when queried the External Auditor admitted this was raised in error, and subsequently confirmed that an unqualified audit report should have been given.

7. BUSINESS PLANNING AS AN AID TO INTERNAL CONTROL

In 2018 the Council developed a Business Plan which aims to improve decision-making by focusing on what it intends to do over the next few years and how it intends to do it. It will enable the Council to act in a more co-ordinated way, demonstrate that it knows where it is going, and how it plans to use elector's money effectively. The Business Plan will align with and drive the direction of all internal strategies and resources, through both the budget setting process, and via key strategic policies. Decision-making will become more consistent and more in line with core strategies, which in turn will improve both management of risk and more effective use of resources. This is particularly important in the context of the Council's need to account within the terms of the statutory framework for its use of monies received under the Community Infrastructure Levy (CIL). The Business Plan affords a mechanism to ensure that spending decisions on parish infrastructure to support growth are made in the most robust and transparent way. Following the election of a new Council in May 2019, the Business Plan will be updated to reflect the priorities of the new Council.

8. DATA PROTECTION COMPLIANCE

The Council is working towards full compliance with the General Data Protection Regulation which came into force in the United Kingdom on 25 May 2018 and expects this to be completed in early 2019/20.

Members are requested to consider this Statement of Internal Control Policy and to agree it. On agreement the Chairman will sign off the policy.

Cllr Alan Porter Chairman

13 March 2019

**William Grosvenor
Clerk to the Council
12 March 2019**