



# MELTON PARISH COUNCIL

**IMC(20)14.06**

*This report was to have been considered by Full Council at its meeting scheduled for 18 March 2020 as Item 20.28.07. As the Statement of Internal Control needs to be signed off in advance of the Council considering its Annual Governance Statement as part of the Annual Return, Interim Management Committee is asked to consider and agree this Statement.*

## **REVIEW OF INTERNAL CONTROL POLICY FOR THE YEAR ENDING 31 MARCH 2020**

### **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 and Executive Officer / Responsible Finance Officer (RFO) 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. These are kept regularly under review.
- 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. The appointment of authorised signatories is kept under review.
- Two Councillors (from the currently authorised signatories) or the RFO under delegated authority together with one Councillor 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.
- Increasingly all payments are now made using internet banking. These will be first authorised by the RFO and then second authorised by a designated Councillor in accordance with Financial Regulation 6.9.
- Internal control issues are reviewed regularly by Full Council and FERM Committee.
- All Council policies are reviewed annually for accuracy in relation to the policy areas they reflect, changes in legislation and current best practice.
- The Council has an up to date Risk Register which is reviewed at each meeting of Full Council and FERM Committee and actions are put in place to either control, mitigate or remove risks as they occur.

### **3.2 Clerk and Executive Officer to the Council / RFO**

The Council has appointed a Clerk and Executive Officer to the Council who acts as the Council's advisor and principal administrator. The Clerk is also the Council's RFO and is responsible for managing the Council's finances. The RFO is responsible for the day to day compliance with legislation and policies and for managing risks. The RFO ensures that the Council's procedures, control systems and policies are maintained. The RFO also exercises responsibility for the Council's banking arrangements in conjunction with FERM Committee. The duties of the Clerk / RFO are laid down in a Job Description which is subject to review. It was last reviewed and updated with effect from 1 November 2019.

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 Treasurer's account with Lloyds Bank has a debit card which is restricted to use by the RFO for use in single transactions with a maximum value of £500. The use of this card is controlled by Financial Regulation 6.16.

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 (IA)**

- 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 FERM Committee and the Council and considered as an agenda item at their next meetings. 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 years ending 31 March 2018 or 2019. An interim internal audit carried out in January 2020 concluded:

*“Council maintains effective governance arrangements and can show evidence of strong governance and good financial practice. The internal audit review, undertaken on the documentation provided to the internal auditor and that published on the Council's website, has provided evidence of the overall adequacy of the financial arrangements in place within the Council.”*

## **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. When this was queried, it was admitted it had been raised in error, and the Auditor subsequently confirmed that an unqualified audit report should have been given. The audit report in respect of the financial year to 31 March 2019 was clear.

## **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. The Business Plan was last updated in July 2019, to reflect priorities following the election of a new Council in May 2019. It will be revised again in 2020 to reflect decisions in terms of both capital investment to support growth and the refreshed Neighbourhood Plan.

## **8. DATA PROTECTION COMPLIANCE**

The Council has fully complied with the Data Protection legislation which came into force in the United Kingdom on 25 May 2018 and keeps its compliance under regular review. Risks associated with Data Protection are reviewed by FERM Committee on a six-monthly basis.

**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**

18 March 2020

**William Grosvenor  
Clerk and Executive Officer to the Council  
12 March 2020**