

# SEMER PARISH COUNCIL

## STATEMENT OF INTERNAL CONTROL AND ANNUAL REVIEW OF EFFECTIVENESS OF INTERNAL CONTROL AND INTERNAL AUDIT FOR YEAR ENDING 31<sup>ST</sup> MARCH 2025

The Accounts & Audit Regulations 2015 aims to strengthen governance and accountability through requirements related to internal control and internal audit. Whilst the Parish Council has reviewed the effectiveness of the internal audit (independence, competence, proportionate and scope), it has a requirement levied on it to ensure that its financial management is adequate and effective and that it has a sound system of internal control. The framework of accountability is risk-based i.e. level of control and management must be appropriate to the risk involved. The Council must determine the most appropriate method of internal control. It should ensure that internal control tests are proportionate and relevant and should not show undue interference in the RFO's day to day management of financial affairs.

### **Purpose 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 / 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.

### **Annual Review of Internal Controls**

As part of its internal control, the Council agrees that overall, it has conducted an annual review of the system of internal control via the following tests:

| CONTROL TEST  | COMMENTS  |
|---|---|
| Ensuring an up-to-date Register of Assets   | Reviewed March 2025.<br>Asset Register held in accordance with Proper Practices.  |
| Maintenance arrangement for physical assets   | All assets under insurance – community land and physical assets reviewed by councillors.  |
| Annual review of risk & the adequacy of insurance cover   | Carried out May 2024 by RFO.  |
| Awareness of Standing Orders & Financial Regulations  | Reviewed and adopted March 2025.  |
| Adoption of Financial & Standing Orders   | All reviewed March 25 and uploaded onto website based on new Financial Regulations of May 2024 and Standing Orders dated 2022.  |
| Regular bank reconciliation, independently reviewed   | Reviews carried out by RFO and verified by a non-signatory bi-monthly   |
| Regular scrutiny of financial records and proper arrangements for the approval of expenditure       | Expenditure approved at each and every meeting. Council operates with 2 signatory authorisations.   |
| Recording in the minutes or appendices the precise powers under which expenditure is being approved | Recording in cashbook the powers to be used to incur expenditure.<br>Annual reporting of expenditure incurred over £100.  |
| Payments supported by invoices, authorised and referenced in the minutes                            | Signatories verify invoice prior to the settlement of invoices via the automated banking transfer system. Council has in place a complex mandate with two signatories to release the invoice for payment. |
| Payments made under section 137 of the 1972 LGA ("The Free Resource")                               | None so made.   |
| Regular scrutiny of income records to ensure income correctly received, recorded and banked         | Income received reported at each and every meeting.   |
| Scrutiny to ensure precept recorded in the cashbook agrees to notification                          | A signatory to verify verified at each relevant meeting.<br>Verification took place for September 2023 receipt of monies.   |

|  |   |
|--|---|
| CIL reporting to Council in accordance with legislation  | No such payments made.  |
| CIL reporting to District in accordance with legislation   | No such payments made.  |
| Contracts of employment for staff, annually reviewed<br>Updating records to record changes in relevant legislation<br>PAYE/NIC properly operated by Council as an employer | Yes – verified once payslips submitted for payment at each relevant meeting.<br>Full employment contract issued effective July 2024.  |
| VAT correctly accounted for, payments identified, recorded and reclaimed in the cashbook   | The claim for the remainder of 2023-2024 and 2024-2025 has still to be submitted.   |
| Regular financial reports  | Bi-monthly - bank reconciliations and details of expenditure and income received  |
| Budget setting process in accordance with Proper Practices   | Council approved the budget for the year 2024-25 at a meeting in November 2023 and January 2024 (Precept). The budget for 2025-26 was set at the meeting in November 2024 and the precept for the same year confirmed at the meeting in January 2025. |
| Regular budget monitoring statements   | Minutes of November 2023 and March 2024 show budget to actual reports submitted.  |
| Minutes properly numbered and paginated with a master copy kept for safekeeping  | All minutes signed by Chair at each scheduled meeting in accordance with the LGA 1972. All pages are paginated.   |
| Annual Council Meeting   | Council held an annual meeting in May at which the election of the Chair was the first item on the agenda.  |
| Procedures in place for recording and monitoring Members' Interests and Gifts of Hospitality   | At each and every meeting.  |
| Adoption of Codes of Conduct for Members   | New Code of Conduct readopted by full Council at meeting of 18 <sup>th</sup> January 2024.  |
| Declaration of Acceptance of Office  | Full Council signed the forms following the uncontested election in May 2023.   |

Period covered by review of Internal Controls: 01.04.2024 - 31.03.2025.

**Date of review of system of Internal Controls: 10.03.2025 by RFO to be presented to full Council for formal approval at meeting of 20.03.25.**

### **Review of effectiveness of Internal Control**

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 the Clerk to the Council / RFO who has responsibility for the development and maintenance of the internal control environment and managing risks and the Internal Auditor who reviews the Council's system of internal control and who makes a written report to the Council.

Regulation 6 of the Accounts and Audit Regulations 2015, 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.

### **Review of Internal Audit**

A smaller authority is required by Regulation 5(1) of the Accounts and Audit Regulations 2015 to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'

#### **Internal Audit**

Proper practices states that internal auditing is an independent, objective assurance activity designed to improve an organisation's operations. The purpose of internal audit is to review and report to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are effective.

**The key principles an authority should follow in sourcing an internal audit provider are: independence, competence and proportionate.**

- The internal audit function must be independent from the management of the financial controls and procedures of the authority which are the subject of review.
- The person or persons carrying out internal audit must be competent to carry out the role in a way that meets the business needs of the authority. It is for each authority to decide, given its circumstances, what level of competency is appropriate, and to keep this issue under review.
- When securing an internal audit service, the parish council should make sure that it is proportionate to the needs, size and the circumstances of the authority.

### **Review of Internal Audit**

The review of the scope of internal audit is sufficient assurance for the authority that standards are being met and that the work of internal audit is effective.

The standards to be applied are as follows:

- Independence - Internal audit will have direct access to those charged with governance and will be independent of the financial controls and procedures of the council which are the subject of review.
- Competence – Internal audit work will review the systems in place and will cover the legal and corporate framework in which the Council operates with integrity and objectivity.
- Proportionate - Internal audit is appropriate to test the existence and adequacy of internal controls and will be carried out on an annual basis. Internal audit will provide assurance for the council's Annual Governance Statement.
- Effective - Council will annually carry out a review of the effectiveness of its overall internal audit arrangements which balances its need and usage of internal audit.

### **Scope of Audit**

**The scope of the Internal Audit being is attached as an Appendix to this paper.**

**For approval at the meeting of 20<sup>th</sup> March 2025 - Agenda Reference 7 iii:**

- **Council considers this Statement of Internal Control, and having reviewed it, considers that the controls currently in place are effective and appropriate for Semer Parish Council in its management of public finances and agreed that the system of internal control is sound and provides an adequate foundation to mitigate the risks associated with the operation of public money.**
- **Council further resolves that, having reviewed internal audit in terms of independence, competence, proportionality and effectiveness it has complied with its duty under the 2015 Regulations and met the standards of audit provision.**
- **It was resolved that, having regard to the Audit Plan as per Appendix A, Council agrees to the appointment of Mr Trevor Brown CPFA to carry out the internal audit on Semer Parish Council at a maximum cost of £175 plus pro rata travelling expenses at £0.45 pence per mile. It was anticipated that the audit will take place in late April 2025.**

## **Appendix – Internal Audit Plan**

The Internal Audit will focus upon the key systems of internal control in operation to provide assurance to the Parish Council that satisfactory overall financial and regulatory arrangements are in place. The End-of-Year Internal Audit can be undertaken in 2024 following the completion of the 2023/24 Accounts and will enable the completion of the Annual Internal Audit Report within the Annual Governance and Accountability Return (AGAR) for the year 2024/25.

### **1. Governance, Standing Orders, Financial Regulations and other Regulatory Issues**

- a) Was the Annual Parish Council meeting held in accordance with the appropriate legislation in place at the time?
- b) Has the Council recently reviewed and formally adopted up-dated Standing Orders and Financial Regulations? Are they the NALC model documents, and have they been tailored to meet the particular requirements of the Council?
- c) Confirm that a Responsible Financial Officer is in post with specific duties agreed under contract.
- d) Confirm that the Councillors' Code of Conduct has been adopted and is being correctly applied.
- e) Is the General Power of Competence in operation and is it being correctly applied? Otherwise, are Section 137 Payments clearly identified and reported to Council?
- f) Confirm that the Council is registered as a Fee Payer/Data Controller under Data Protection legislation. Is a Data Protection Policy, and other appropriate policies, in place to evidence compliance with GDPR requirements? Have appropriate Privacy Notices been published? Have any significant issues arisen regarding compliance with the GDPR?
- g) Do the Council's Minutes provide a clear record of the actions and decisions taken?
- h) Has the Council appropriate Policies, Procedures and Protocols in place? Are they frequently reviewed and updated? Is a Schedule for Review of Policies in place?
- i) Has a Website Accessibility Statement been published to assist compliance with the website accessibility regulations?

### **2. Accounting Procedures and Proper Book-keeping**

- a) Is the Council's Accounting System/Cashbook being properly maintained and up to date?
- b) Is the Accounting System regularly balanced and reconciled to the bank statements?
- c) Is the Accounting System appropriate and fit for purpose comparative to the Council's requirements and the transactions regularly passing through the Accounts?
- d) Is there a clear audit trail from the underlying financial records to the Accounts?
- e) Are the financial information and data being produced from the accounting system and delivered to Parish Councillors adequate and relevant to the Council's needs?
- f) Have re-claims for VAT paid been submitted to HMRC regularly and promptly?
- g) Are details of the General Reserves, Earmarked Reserves and Restricted Reserves identified and correctly recorded in the accounts?
- h) Was a Community Infrastructure Levy (CIL) Report (if appropriate) for the year 2023/24 submitted to the District Council by the due date of 31 December 2024? Has a CIL Report been prepared for the year 2024/25?

### **3. Bank Reconciliation**

- a) Confirm that a Bank Reconciliation for each bank account has been carried out regularly and timely. Is the reconciliation being performed each month?
- b) Has the Bank Reconciliation as at 31 March 2025 been performed correctly? Can the Bank Reconciliation be confirmed from Bank Statements and investment records and have any unrepresented payments or receipts (if appropriate) been correctly identified in the Reconciliation?
- c) Are there any unexplained balancing entries in any reconciliation?
- d) Does the Council receive regular reports of bank balances and reconciliations? Are the details Minuted?

### **4. End of Year Procedures**

- a) Are year-end accounts prepared on the correct accounting basis (Receipts and Payments)? Confirm correctness of entries in year-end accounts on a sample basis.
- b) Is the year-end Receipts and Payments Account properly balanced and adequately referenced and notated?
- c) Are the details of the Earmarked Reserves and General Reserves correctly recorded in the accounts at the year-end?
- d) Is there a clear audit trail from underlying financial records to the End-of-Year accounts?
- e) If appropriate, does the PWLB principal outstanding at the year-end agree with PWLB's notification and information listed on the PWLB website?
- f) Are there any outstanding legal, regulatory or contractual issues that may impact upon the Council and may require to be reflected in the accounts?
- g) Has the End-of-Year AGAR for 2024/25 been completed correctly? Have Sections 1 and 2 been (or have yet to be) approved, signed and dated? Does Section 2 (Accounting Statements) balance correctly? Can each entry be confirmed as correct?

## **5. Budgetary Controls**

- a) Has the Council prepared an annual budget in support of the Precept in respect of both 2024/25 and 2025/26 years of account?
- b) Are budget papers suitably detailed to ensure that Councillors have sufficient information to make informed decisions?
- c) Has the Precept amount been agreed in Full Council and clearly Minuted?
- d) Are there any significant unexplained variances from budget?
- e) Has actual expenditure against the 2024/25 Budget been regularly reported to and considered by the Council?
- f) Are Reserves (both General and Earmarked) regularly monitored? Is the level of overall Reserves adequate to provide for any unforeseen costs? Does the level of General Reserves meet best financial practice? Is there evidence of a continuing increase in the Council's Overall Reserves after a number of years of maintaining a low level of Reserves?

## **6. Internal Financial Controls, Payments Controls and Audit Procedures**

A sample of payments made during the period April 2024 to March 2025 will be selected in order to examine/confirm the following:

- a) Is there a clear audit trail to clearly demonstrate that Payments in the Cashbook are supported by invoices, properly authorised and Minuted?
- b) If appropriate, are Electronic Payments and other Internet Banking transactions, including transfers, properly recorded and approved? Is the Electronic Payment document confirming the date/time, payee and amount of the payment held with the invoice?
- c) Has the VAT element on payments been correctly identified, recorded and reclaimed?
- d) Have the appropriate Standing Orders and Financial Regulations been met?
- e) Do the Council's Minutes provide a clear record of the payments made by including a list of the payments approved by Council at each meeting?
- f) Is the statutory basis for the payments identified?
- g) Have items or services above the de minimus amount been competitively purchased?
- h) Is a Petty Cash system in operation? If so, are associated books and an adequate control system in place. Are written instructions in place for its use?
- i) Are arrangements in place for the use of a corporate Credit/Debit Card. Are written instructions in place for its use and have they been formally approved by the Council and details included in Financial Regulations?
- j) Are purchases by Petty Cash and/or Debit/Credit card evidenced/supported by invoices/vouchers? Confirm/test-check the current arrangements relating to the use of the card. Are the transactions reported to the Council?
- k) Has the previous Internal Audit Report for the year 2023/4 been presented to the Council and Minuted? Have all recommendations or areas of concern raised by the Internal Auditor been considered/addressed or an Action Plan in place?

## **7. Payroll Controls**

- a) Confirm the procedures in operation for the provision of Payroll Services (in-house or outsourced).
- b) Do all employees have Contracts of Employment with clear terms and conditions?
- c) Have there been any changes in staffing, staff appointments and rates of salaries paid since the 2023/24 End-of-Year Internal Audit? If so, have all changes been agreed by the Council? Have PAYE and NIC been properly operated by the Council as an employer? Have P60 End-of-Year Certificates been prepared?
- d) Has the Council been advised of the current NJC salary scales and approved any increases in salaries? Do salaries paid agree with those approved by the Council?
- e) Are payments other than salary payments to employees reasonable and approved by the Council?
- f) Are appropriate staffing policies (e.g. Lone Working, Grievance, Sickness and Absence Policies) in place and regularly reviewed?
- g) Are workplace pension requirements being met and correctly applied? Have the Pensions Regulator's requirements been met in full (e.g. any necessary re-declarations made)?

## **8. Income Controls**

A sample of income items received during the period April 2024 to March 2025 will be selected in order to examine/confirm the following:

- a) Is income properly recorded in the accounting system (and promptly banked where appropriate)? Does documentary evidence exist to confirm that the correct amount of income has been invoiced/received?
- b) Are security controls over cash and cheques adequate and effective? Are debtors encouraged to make payment electronically?
- c) Are invoices promptly issued and followed up as necessary? Is the follow-up procedure adequate and effective? What is the current balance of debt outstanding?
- d) Are all income sources, fees and charges reviewed each year to confirm appropriate and adequate rates are being charged? Have these issues been adequately dealt with in the budget process and are being monitored?
- e) Are receipts reported routinely to the Council and Minuted?

## **9. Internal Control and the Risk Management arrangements**

- a) Are internal control systems documented and regularly reviewed? Is a Statement of Internal Controls in place?
- b) Is an overall Risk Management Policy in place? Are the risk assessment documents being used in appropriate cases/incidents? Do they adequately cover risks (financial and other) faced by the Council and detail the mitigating actions in place?
- c) Are key risk areas (e.g. play areas) adequately covered by risk assessments and reports regularly made to the Council? Are annual RoSPA inspections undertaken on all play areas owned by the Council?
- d) Do Minutes record the Council carrying out an annual or regular risk assessment and review of internal control systems? Are arrangements in place to meet the Accounts and Audit Regulations requirement that the Full Council must formally consider internal control arrangements (including risk management arrangements) in each year of account?
- e) Has insurance cover been reviewed by the Council and a new policy entered into for the year 2024/25? Is insurance cover (e.g. Employer's Liability and Public Liability) appropriate and adequate? Does the Fidelity Guarantee (Councillor/Employee Dishonesty) cover meet current best practice?

## **10. Assets Control and Valuations**

- a) Does the Council's Asset Register display all material assets owned by the Council or in its care? Is the Asset Register up to date and includes all acquisitions since 1 April 2024?
- b) Are valuations consistent, year-on-year, to meet current valuation requirements?
- c) Is the Asset Register regularly reviewed by the Council (at least annually)?
- d) Have the items listed in the Register been agreed with those in the insurance schedules to ensure that appropriate cover is in force? Have all new acquisitions been included within the cover, where appropriate?

**11. External Audit**

a) Has the Council correctly completed a Certificate of Exemption from a Limited Assurance Review for the years 2023/24 and (if appropriate) 2024/25?

**12. Transparency Code/Publication of Information**

a) Where appropriate, is the Council meeting all the requirements of the Transparency Code? Did the Council meet the statutory deadlines for the publication of documents on a publicly accessible website for the 2023/24 accounts?

**13. Other Matters**

a) Does the Council have any responsibilities as a Sole Trustee?

b) Does the Council have official email addresses for correspondence and/or a secure e-mail system with a gov.uk address which is owned by the Parish Council rather than relying on the use of personal e-mail addresses that can change regularly?

c) Are there any areas in which the Clerk/RFO (and/or other Council staff) require additional training or support?

d) Are there any other areas which the Clerk/RFO or Parish Councillors have requested Internal Audit to examine during this End-of-Year Internal Audit Review?