

Annual review of internal financial control

This Report is prepared and reviewed by Parish Councillors.

Carlton Parish Council (the PC) is responsible in law for ensuring that its financial management is adequate and effective, and that it has a sound system of internal control.

The PC is required to appoint a Responsible Financial Officer (RFO) to manage its financial affairs (Local Government Act 1972 s151), and an independent Internal Auditor to ensure that the PCs financial regulations and internal control procedures are followed in practice. The Clerk has been appointed RFO; Mrs J Marshall (retired CIPFA accountant) has been Internal Auditor since the financial year 2014-15.

The PC is required to review the effectiveness of the system of internal control at least once a year, and publicly report the outcome. This review must include a separate review of internal audit. The public report is made through the annual governance statement in the Annual Return to the External Auditor (Audit Commission Act 1988; Governance and Accountability for Local Councils A Practitioners' Guide (England) 2010).

The PC is fully compliant with the Transparency Code, which came into force on 1st April 2015. New regulations on audit will come into force on 1st April 2017: after this date the PC will be exempted from external audit, and public objections to the accounts will be considered by a member of the Sector Led Body for External Audit.

Annual Return – statement of accounts

The Statement of Accounts is prepared and signed by the RFO and approved by the Council.

Annual Return – statement of assurance

The Statement of Assurance is approved by the Council and signed on its behalf by the Chairman and Clerk. This includes the following statements:

1. we have approved the statement of accounts which has been prepared in accordance with the requirements of the Accounts & Audit Regulations 1996 and proper practices;
2. we have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness;
3. we have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice which could have a significant financial effect on the ability of the council to conduct its business or on its finances.
4. we have provided proper opportunity for the exercise of elector's rights in accordance with the requirements of the Accounts and Audit Regulations;
5. we have carried out an assessment of the risks facing the council and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required;
6. we have maintained an adequate and effective system of internal audit of the council's accounting records and control systems;
7. we have taken what we consider to be appropriate action on all matters raised in previous reports from the internal and external auditors;
8. we have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year end, have a financial impact on the council and, where appropriate have included them in the statement of accounts.

Annual Return – statement of internal audit

The internal auditor is required to certify that:

- A. appropriate books of account have been properly kept throughout the year;
- B. the council's financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was correctly accounted for;
- C. the council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these;
- D. the annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate;
- E. expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for;
- F. petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for;
- G. salaries to employees and allowances to members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied;
- H. asset and investments registers were complete and accurate and properly maintained;
- I. periodic and year-end bank account reconciliations were properly carried out;
- J. year end accounts were prepared on the correct accounting basis (receipts & payments/income & expenditure), agreed with cash book, were supported by an adequate audit trail from underlying records, and, where appropriate debtors and creditors were properly recorded.

Financial regulations

Financial regulations were adopted on 10th September 2014 (Report 2014-18), and are scheduled for review in 2019.

Specific controls exercised by Members

- a) Ensure that all Council decisions are in accordance with the financial regulations, and that the financial regulations are being followed by the RFO.
- b) Ensure that an annual budget is prepared, adopted and reported and that expenditure is in accordance with the budget and authorised by resolution.
- c) Ensure that a reconciliation of the current bank account is prepared within one week of receipt and checked by a Councillor, and that the relevant statement is signed if the reconciliation is agreed. If the reconciliation is not agreed the matter must immediately be reported to all Members of the Council.
- d) Ensure that current balances are reported quarterly and include bank reconciliations; that all items of expenditure are correct; and be prepared to check and question supporting documentation.
- e) Councillors must never, in any circumstances, sign a blank cheque, sign a cheque for expenditure that has not been authorised, or sign a cheque without supporting documentation. Before signing any cheque, Councillors must check that the amount tallies with an invoice or similar documentation.
- f) Check the expenses claimed by the Clerk, query any significant amounts, and check that receipts are provided for any items costing more than £20.00.
- g) Be aware of the assets owned by the PC and how they are managed; ensure that the asset registers and inventories are updated and accurate; and consider the potential risks associated with all PC activities.

Specific controls exercised by the RFO

- a) Cash is not held; all receipts are banked promptly; and the receipt and payment (R&P) accounts are kept up to date.
- b) Cheques and bank transfers may only be signed by Councillors.
- c) An internal running account is maintained, and the balances reconciled with each bank statement on receipt. Each monthly reconciliation is checked by a Councillor, who inspects the cheque book and signs the relevant bank statement.
- d) A quarterly report of all receipts and payments is made to the Council and includes bank reconciliations of all accounts. This report is checked against the original bank statements by Councillors in public during a PC meeting.
- d) Financial statements and supporting documentation may be inspected by any Councillor or the Internal Auditor at any time.
- e) The R&P accounts are made up and signed by the RFO as soon as possible after the end of the financial year; checked independently by the Chairman; examined by the Internal Auditor; and formally presented to the PC for approval at the first meeting after this.
- f) The accounts and supporting documentation are prepared for public inspection each year; reports are published in Carlton News; and questions from parishioners are answered promptly.

S G Tupling, Chairman, 20th November 2016

This document was adopted by Carlton Parish Council on 11th January 2017