

**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 Governance & Accountability Return (the AGAR form: Local Audit & Accountability Act 2014; Local Audit (Smaller Authorities) Regulations 2015; Governance and Accountability for Local Councils A Practitioners' Guide (England) 2018).

The PC is fully compliant with the Transparency Code, which came into force on 1<sup>st</sup> April 2015. The PC is exempt from external audit providing that its total receipts or payments are both less than £25k for the financial year in question. 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 put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements;
2. we maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness;
3. we took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.
4. we provided proper opportunity during the year for the exercise of elector's rights in accordance with the requirements of the Accounts and Audit Regulations;
5. we carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required;
6. we maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems;
7. we took appropriate action on all matters raised in reports from internal and external audit;
8. we considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements.

**Annual Return – statement of internal audit**

The internal auditor is required to certify that:

- A. appropriate accounting records have been properly kept throughout the financial year;
- B. this authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for;
- C. this authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these;
- D. the precept or rates 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, all petty cash expenditure was approved and VAT appropriately accounted for;
- G. salaries to employees and allowances to members were paid in accordance with this authority's 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. accounting statements prepared during the year were prepared on the correct accounting basis (receipts & payments or income & expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded;
- K. if the authority certified itself as exempt from a limited assurance review, it met the exemption criteria and correctly declared itself exempt;
- L. during the summer this authority has correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts & Audit Regulations.

**Financial regulations**

Financial regulations were adopted on 12<sup>th</sup> February 2020, and are scheduled for review in March 2025.

**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 or 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 Parish Councillors.
- 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 up to date 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, and questions from parishioners are answered promptly.
- g) The Annual Return and a copy of the Receipts & Payments accounts are published on the PC's website; a financial summary is published in the PC's Annual Report.

S G Tupling, Chairman, 31<sup>st</sup> December 2020

**This document was approved by Carlton Parish Council on 13<sup>th</sup> January 2021**