

BARLEY PARISH COUNCIL

Annual Review of the Effectiveness of Internal Control for the financial year 2023-24

Prepared by: Lynn Brett RFO September 2024

OVERVIEW

- Barley Parish Council is responsible for ensuring that its financial management is adequate and effective and that the Council has a sound system of internal control which 'facilitates the effective exercise of its' functions' and which includes arrangements for the management of risk.
- Regulation 6 of the Accounts and Audit Regulations 2015 requires the Council to conduct each financial year a review of the effectiveness of the system of internal control. Assertion 2 of the Annual Governance Statement which the council is required to sign is evidence that this review has been undertaken :

"We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness."

- The review of the effectiveness of the system of internal control is informed by the work of:
 - The Council
 - The RFO who has responsibility for the design and maintenance of the internal control environment and managing risk.
 - The independent Internal Auditor who reviews the Council's systems of risk management, control and governance processes.
 - The External Auditor who makes the final check via the completed and signed Annual Governance & Accountability Return (AGAR) and other documents they may request.
- A number of the internal controls are covered in the Financial Regulations and Standing Orders. The other key document is the annual Risk Assessment Schedule which outlines many of the processes and controls in place and acts a check list.
- For 2023-24:
 - The Internal Auditor reported "Councils business is generally well managed and recorded and the operation well organised". It was also noted that "the comments made during the internal audit for 2022-2023 have been addressed and this is commended" . Specific items addressed were :
 - B. The authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for (YES) - Comments were made regarding placing of purchase orders which should be restricted to Officers only (and not by Councillors).
 - D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate (NO). – Comment was made that the budgeting process was contrary to that set out in the Local Government Finance Act 1992 Section 49A1, whereby a

precept is set based on the costs budget and to achieve a balanced budget rather than a deficit. This was actioned in preparing the 2024-25 budget.

- L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation (NO) – Comments were made about transparency and sparseness of website information. This has since been addressed.
- O. Trust funds (including charitable) - the Council met its responsibilities as a trustee (YES) – Comments were made regarding support for the Town House and review of each transaction. This has since been addressed.
- For 2023-24
 - The External Auditor certified the AGAR with the following exceptions
 - Section 1, Assertion 1 has been incorrectly completed. Information received from the internal auditor highlights significant weaknesses in the budgeting and precept setting process and as a result the answer to this assertion should have been 'No'. This is consistent with the Internal Auditor's response to Internal Control Objective D.
 - Section 1, Assertion 3 has been incorrectly completed. Information received from the internal auditor highlights that the smaller authority has not published a scheme of publication as required by the Freedom of Information Act 2000. As a result, the answer to this assertion should have been 'No'. This is consistent with the Internal Auditor's response to Internal Control Objective L. that the smaller authority failed to approve the AGAR in time to publish it before 1 July 2022, the date required by the Accounts and Audit Regulations 2015, and did not disclose this by answering "No" to Section 1, Box 1

RECOMMENDATION

- That the Parish Council considers and approves the Review below in preparation of signing the Annual Governance Statement and considers whether the controls currently in place are effective.

REVIEW OF THE EFFECTIVENESS OF INTERNAL CONTROL

Standing Orders & Financial Regulations

- The financial management system is laid out in the Financial Regulations and Standing Orders.
- The Parish Council has adopted regulations based on the model versions prepared by NALC/SLCC. The regulations are reviewed for continued relevance and amended where necessary by the Clerk or Responsible Financial Officer with any proposed amendments subject to approval by the Parish Council. New Financial Regulations were adopted in June 2018 and Standing Orders in 2019 in line with the latest model version.
- The Financial Regulations list the number of estimates, quotes or full tenders that must be invited depending on the value and nature of the work.

Risk Assessment Schedule & controls

- This annual document covers many of the areas mentioned below and highlights the controls in place.

Payment Controls

- In the cash books and account files payments are listed in cheque number order or for online banking the date payment is made.
- All invoices are checked to ensure that the arithmetic is correct, agreed discounts have been deducted and everything is acceptable regarding reclaiming any VAT.
- All invoices for payment are presented at the monthly Council Meetings. Authorisation for payments are agreed and seconded and reported in the minutes of the meeting.
- Original invoices are available to the Councillors signing the cheques or authorizing online payments
- Authorization for all payments is proposed and seconded. If paying by cheque these must be signed by two Councillors, who are authorised to sign as per the council's bank mandate.
- Since March 2020 the council had had an online banking payments system in place. Following authorisation, the RFO will input the payment which is then validated and made by one of the Parish Councillors. A second councillor will then check that these payments have been duly made.
- The RFO is authorised to transfer funds from one account to another.
- The RFO is authorised to set up direct debit payments but must report these at the next meeting.
- The RFO maintains control of the cheque book at all times.
- When there is a need for an urgent payment to be made between meetings normal approval and signing procedure apply, documents are attached and this must be and has been reported and minuted at the next Council meeting.
- When invoices are paid by cheque, they are identified by the cheque number and referenced in the cashbook by the cheques number. This is cross checked with the bank statements

Cash Book/Bank Reconciliations

- The cash book is kept electronically by the RFO, updated regularly but as soon as possible from original documents (cash received, invoices, payments and direct debits made and cheques as they are prepared).
- The cash book is reconciled to the bank statement at least monthly.
- The cash books, payments and receipts and bank reconciliation are reviewed and approved by a member of the Parish Council, with reference to the underlying records (bank statements and minutes plus copies of accounts papers etc.) on a regular basis.
- The latest financial position and major movements in the Council's cash balances are reported at each council meeting.

VAT

- The Council is not currently required to register for Vat and does not provide Vatable services.
- The RFO requests that all invoices are addressed to and in the name of the Parish Council.
- The RFO ensures that proper VAT invoices are received where VAT is payable and recoverable.

- The RFO maintains a VAT account to show that the correct amount of VAT is accounted for and can be reclaimed in the year.

Income Controls

- The RFO ensures that amount of the precept received is correct in accordance with the precept request sent to the District Council.
- The RFO ensures that the precept installments are received when due.
- The RFO ensures that other receipts (allotment and building rents) are received when due and correctly calculated.
- Receipts are issued for any cash received- cash received very infrequently.
- Income is promptly banked.

Debt collection

- Invoices raised have been paid promptly and no recovery action necessary.
- Debt monitoring arrangements are adequate and appropriate.

Financial Reporting Controls

- The Budget was prepared and agreed in consultation with the full Council, following reports and forecasting by the RFO.
- The precept was set on the basis of the Budget by the deadline set by NHDC.
- A Budget control, comparing actual receipts and payments to the budget and the previous year was presented to the Parish Council
- The RFO reports quarterly to the Council on the actual expenditure versus budget
- A Councillor has been appointed to monitor financial controls and risk.

Payroll Controls & Pensions

- The Clerk and RFO are paid under PAYE as employees and the Payroll has been submitted via RTI to HMRC
- The RFO acts as payroll provider, and is also responsible for calculating and tax any national insurance due.
- The Clerk's and RFO's hourly salary rate is reviewed annually.
- Salaries are paid by cheque or bank transfer approved at the monthly meetings.
- The RFO ensures that all the necessary payroll returns are made to HMRC and will retain evidence that this has been done.
- The RFO and Chairman of the Parish Council responded to the Pensions Regulator and continue to monitor whether the council are meeting their legal responsibilities regarding making pension payments or the need to join a pension scheme for their employees.

Asset Control

- The RFO maintains a full asset register which is presented to the council and signed by the Chair and RFO annually as part of the governance report.
- The existence and condition of assets is checked on an annual basis by members of the Parish Council.
- The adequacy of insurance of the Parish Council's assets is considered annually in advance of the insurance renewal.

Loans and long term liabilities

- Do not apply currently

Internal Audit

- The Council has appointed an independent internal auditor, via HAPTC, who report annually to the Council on the adequacy of its systems and procedures, internal controls and risk management. They have been sent all the necessary documents and their review has been satisfactorily carried out for 2023-24 and they reported that sufficient controls are in place. Various recommendations were made and have been adopted.
- As part of the Annual Return they have to report on whether specific procedures and controls which should be in operation during the financial year, are carried out or are in place and meet an adequate standard. For 2023-24 all the “Internal control objectives” were achieved or have been subsequently addressed.

External Audit/Limited Assurance Review

- Independently appointed, carried out by PKF Littlejohn LLP.
- Once reviewed and signed by the Chairman, Clerk, RFO and the Internal Auditor the completed AGAR is returned in a specified time frame. Other documents requested include reconciliation of bank balances, explanations of any variances and reserves and a copy of any Internal Audit report. The external auditor reviews the above, reports back any findings and certifies completion (or not).
- **2023-24 two exceptions were made, as detailed in the overview above.**

Signature of Chairman:



For Reference

- The Accounts and Audit Regulations 2015 and 2024 amendment
<http://www.legislation.gov.uk/uksi/2015/234/contents/made>
https://assets.publishing.service.gov.uk/media/65c0d140c4319100141a4559/The_Accounts_and_Audit_Amendment_Regs_2024_for_consultation.pdf
- Governance and Accountability for Smaller Authorities in England A Practitioners’ Guide to Proper Practices 2019
<https://www.pkf-littlejohn.com/sites/default/files/media/documents/practitioners-guide-2019.pdf>
This will be the reference tool for 2019-20 audit
- Governance and Accountability for Smaller Authorities in England A Practitioners’ Guide to Proper Practices March 2020
<https://www.nalc.gov.uk/library/our-work/jpag/3223-practitioners-guide-2020/file>
This can be adopted ‘early’ for use in the 2019-20 audit
- Practitioners Guide 2020/21 main changes

<https://www.nalc.gov.uk/library/our-work/jpag/3224-practitioners-guide-changes-for-2020/file>

There have only been a few minor changes

- Practitioners Guide 2023/24 main changes

<https://www.nalc.gov.uk/library/our-work/jpag/4041-practitioners-guide-2024-changes>