

TOSTOCK PARISH COUNCIL

INTERNAL CONTROL STATEMENT

Adopted 2024-05-14

Scope and Responsibility

Tostock Parish Council, an authority representing the first tier of local government, is funded by public money.

The Accounts and Audit Regulations 2015 require smaller authorities (such as Tostock Parish Council), each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts.

The purpose of the annual governance statement is for the local authority to report publicly on its arrangements for ensuring that its business is conducted in accordance with the law, regulations, prevailing standards and proper practices; and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

In seeking to meet this responsibility assurance is required that there is a sound system of internal control which:

- ◆ facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- ◆ ensures that the financial and operational management of the authority is effective; and
- ◆ includes effective arrangements for the management of risk.

Purpose of the System of Internal Control

Internal control is designed to reduce financial risk to the Council and to ensure that Council activities are carried out properly and as intended.

The system of internal control is further designed to ensure that risks are managed to a reasonable and acceptable level, rather than to eliminate all risk of failure, to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process focused on identifying and prioritising risks to the achievement of policies, objectives and aims, evaluating the likelihood of those risks occurring, their impact should they materialise, and managing them efficiently, effectively and economically.

Internal Control Environment

The Council: The Council elects a Chair (and Vice-Chair) each year to be responsible for the smooth running of meetings and for ensuring, with advice from the Clerk as needed and appropriate, that all decisions are taken lawfully. Once approved as a true and correct record, the Chair of each meeting signs each page of the minutes of the previous meeting.

The Council has a Finance Working Group which meets to review the state of the finances in December and to recommend the precept to the Council meeting the

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following month when the Council reviews its obligations, and based upon seeking to achieve those, approves the draft budget and precept for the forthcoming year.

The Group meets further, in April, to review matters (precept confirmation and any updated information on subscription and service costs, other price rises etc.) ahead of the budget being finalised and confirmed at the Annual Council Meeting.

A Finance Councillor is responsible for bank reconciliation checks and facilitates an overview of financial matters on an on-going basis, reporting to the Council as and when necessary, but certainly on completion of each quarter of the financial year.

The full Council meets at least six times per year and monitors progress against its aims and objectives at each meeting by receiving relevant reports, particularly from the Clerk.

The Council has carries out an annual assessment of its internal controls, systems and procedures, with a review undertaken mid-year.

Clerk to the Council/Responsible Finance Officer: The Council has appointed a Clerk who acts as advisor to and administrator for the Council. The Clerk is the Responsible Financial Officer and, thereby, is accountable for administering Council finances. The Clerk is also the Data Protection Officer.

The Clerk is responsible for advising the Council on and enabling compliance with its statutory and regulatory obligations and for managing any associated risks. Further, the post-holder is responsible for ensuring adherence to Council procedures, control systems and policies. The duties and responsibilities of the Clerk are set out in a job description - reviewed annually to ensure it remains relevant and accurate.

Payments and Payroll Controls: All payments are reported to the Council for approval. Four councillors are authorised signatories to the Council bank accounts with any two members required to sign all cheques and/or orders for payment. Necessarily, the signatories consider each payment against the relevant invoice and, assuming no problems, then sign said invoice and initial the relevant cheque counterfoil.

The Clerk, quite properly, is unable to sign cheques.

Bank reconciliations are presented both at meetings and sent to councillors for those months between meetings to ensure members are kept as up to date as reasonably possible with the overall state of Council finances.

The Clerk, the sole Council employee, has a contract of employment with clear terms and conditions. The salary, reviewed annually, is approved by the Council and linked directly to the current National Joint Council for Local Government Services pay scales.

PAYE is properly operated by the Council as an employer, using 'Basic PAYE Tools' (HMRC software) to enable timely submissions and payments in 'real time' to HMRC.

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VAT payments are identified and recorded, with VAT reclaimed annually at the start of each financial year.

The Council does not have a petty cash system in place; neither does it have a credit card.

Income: All income is received and banked in a timely manner and duly reported to the Council.

Internal Audit: The Council appoints an independent and competent internal auditor who reports to the Council on an annual basis on the adequacy of its:

- ◆ records;
- ◆ procedures;
- ◆ systems;
- ◆ internal controls;
- ◆ statutory and regulatory compliance;
- ◆ risk management;
- ◆ budgetary and payment controls; and
- ◆ asset management.

The internal auditor report, detailing any and all findings, is provided to all councillors and considered by the Council at its next available meeting. Accepted recommendations will be properly recorded in the minutes and form an audit plan which seeks to manage any identified weaknesses and/or initiate improvements required.

External Audit: External auditors for the Council (unless an exemption applies) submit an annual certificate of audit, which is presented to the Council together with any issues arising. Residents and others are given the opportunity to inspect Council documents including the Unaudited Annual Governance & Accountability Return (AGAR).

Council Policies and Procedures: Those adopted by the Council are deemed to be key to Council business, functions and responsibilities. They are reviewed at least annually and published on the Council pages on the village website. The Clerk will advise on any new policies that may be required and ensure any updates needed are brought to the attention of councillors.

Standing Orders: The Council has adopted the Model Standing Orders produced and published by the National Association of Local Councils. These are reviewed at least annually to ensure they are kept up to date.

Financial Regulations: The Council has adopted the Model Financial Regulations produced and published by the National Association of Local Councils. These are reviewed at least annually to ensure they are kept up to date.

Asset Register: The Council maintains a register of all material assets owned (or in its care). The Clerk will update as and when necessary and the Register is reviewed and approved annually after a physical inspection of the assets by councillors.

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Insurance: Council insurance provision is reviewed at the end of each contract period both in relation to the schedule of cover, adequacy and value for money.

Risk Assessments/Risk Management: The Council reviews its risk assessment Annually, in May, and regularly reviews its systems and controls. An informed and comprehensive Risk Register is maintained which, in the light of Council decisions, is updated regularly to ensure it is current as far as reasonably possible. Specific risk assessments are in place for certain matters, such as finances and data protection.

Information Management: The Council is compliant with key legislation, particularly that concerning data protection and freedom of information, and keeps its compliance and associated processes under constant review.

Openness: The Council is committed to local democracy, engagement with residents and promoting transparency and the proactive publication of information. Accordingly, it seeks to not only comply with the "Transparency Code for Smaller Authorities" but also to make as much more information available, particularly through Council pages on the village website and freely upon request.

Code of Conduct: Each member of the Council adheres to the approved Code of Conduct and completes his/her entry in the Register of Interests (held on the Mid Suffolk District Council website), as required. Members must consider every item on the agenda for meetings and ensure that any interest is declared at the beginning of the meeting or before the matter is discussed. An item 'Declarations of Interest and Dispensations' is a standing item on every Council agenda.

REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting an annual review of the effectiveness of its system of internal control, which includes a review of the effectiveness of internal audit. The results of that review are considered by the Council, which also approves the Statement of Internal Control.

Chair

Clerk/Responsible Financial Officer

Approved and adopted by Tostock Parish Council

Meeting Date:

Minute Reference:

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Internal Control Report

The Accounts & Audit (England) Regulations 2015 aims to strengthen governance and accountability through requirements related to internal control and internal audit. Whilst the 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 regulations require active participation by members in providing positive assurance to the electors of their stewardship of public money. 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; care should be taken to ensure that internal control tests are proportionate and relevant and that they are neither seen as, nor intended as, undue interference in the RFO's [Responsible Financial Officer's] day to day management of financial affairs."

As part of its internal control, the Council has appointed a non-signatory councillor to conduct a review of the system of internal control via the following tests on a six-monthly basis with a written report of the findings submitted to the Council and duly minuted as received together with any action agreed.

CONTROL TEST	TEST DONE?	COMMENTS
	Yes/No	
Asset/Risk Management and Insurance		
Ensuring an up to date Register of Assets with costs recorded accurately	Yes	Draft presented to the Council 12 March 2024 correcting some historical inaccuracies. Further to queries, Register to be confirmed at the next Council meeting on 14 May 2024.
Ensuring an up to date Risk Register with risks checked after each Council meeting and assessed at least annually	No	Risk assessment overdue given no review by the previous Council. Action to be taken at the earliest.
Arrangement for the physical review of assets to identify any risks, health and safety issues and need for repair or replacement	Yes	Programme of physical inspections carried out in March and April 2024 with any action to be taken at the Council meeting on 14 May 2024.
Assets properly acquired and disposed of through Council meetings	Yes	No changes in 2023-2024.
Annual review of financial risk	No	Risk assessment overdue given no review by the previous Council. Action to be taken at the earliest.
Public Liability cover in place and adequate	Yes	
Employee Liability cover in place and adequate	Yes	
General insurance cover sufficient, appropriate and adequate - reviewed annually	Yes	Inherited cover accepted for 2023-2024; the policy to be reviewed in July/August 2024.

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Governance		
Standing Orders - current/reviewed/approved	Yes	Review carried out March 2024.
Financial Regulations - current/reviewed/approved	Yes	In place. New Model Financial Regulations due imminently from NALC - then will be adopted.
Policies and procedures relevant to the Council in place, current and reviewed	Yes	Reviewed March 2024 - new versions adopted, some gaps filled and programme agreed of those policies and procedures needed.
Regular reporting on performance by Contractors, service providers and suppliers	Yes	
Annual review of contracts (where appropriate)	-	Not applicable currently as no contracts in place.
Budget		
Budget reviewed annually and projected budget determined ahead of setting precept	Yes	
Budget discussed and adopted by the Council	Yes	
Any earmarked reserves identified	Yes	Community Infrastructure Levy funding plan agreed by the Council 12 March 2024.
General reserve confirmed in line with recommended best practice	Yes	No budget for a general reserve was set by the previous Council for 2023-2024. Position corrected for 2024-2025.
Precept demand minuted correctly and verified by Mid Suffolk District Council	Yes	
Year End Procedures		
Year end accounts prepared as required with final bank reconciliation and budget variances identified	Yes	2022-2023 completed and published. 2023-2024 being prepared.
Proper financial trail from accounts to documented records, cheque book and statements	Yes	One or two gaps as a consequence of what happened with the previous Council.
Annual Governance and Accountability Return (AGAR) completed, agreed, minuted and signed	Yes	2022-2023 completed and published. 2023-2024 being prepared.
Items of expenditure over £100 published	Yes	
Financial Responsibility/Monitoring		
Responsible Financial Officer (RFO) appointed	Yes	Clerk is the RFO.
Bank reconciliation completed regularly and independently reviewed against statements	Yes	Reconciliation presented to each Council meeting and circulated to councillors for each month when no meeting is held.
Regular financial reporting to the Council	Yes	Monthly as a matter of routine with any issues/ updates reported to councillors as they arise.
Regular budget monitoring statements reported to Council with significant variances identified	Yes	
Section 137 bids and expenditure minuted and recorded properly	-	There was no Section 137 expenditure in 2023-2024.
Regular scrutiny of financial records - checked for accuracy and maintained up to date	Yes	
Bank signatories sufficient and operative	Yes	Two new signatories added in 2023-2024. Four in place with any two needed to sign cheques.
Orders raised, as necessary, for expenditure	-	There were no orders raised in 2023-2024.

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Invoices generated, as appropriate, for income due to the Council	Yes	Invoices implemented for "Tostock Chronicle" advertising income due.
Payments supported by invoices which are duly authorised, signed and minuted	Yes	
Regular scrutiny of records to ensure income is correctly received, recorded and banked	Yes	
Scrutiny to ensure precept recorded in accounts consistent with District Council notification	Yes	
Audits		
Internal auditor in place and internal audit completed and reviewed	-	Internal auditor in place for 2023-2024. Audit and report yet to be completed and delivered.
Issues from previous audits addressed effectively	Yes	Audit recommendations reviewed and implemented.
Evidence of audits and public right to inspection published and advertised as required	Yes	
Internal audit report published as part of the Annual Governance and Accountability Return (AGAR)	Yes	2022-2023 audit report published as required.
Clerk (only member of staff)		
Contract issued and reviewed as necessary	Yes	Contract issued - effective from 1 October 2023.
PAYE/NI operated properly with approved tax code in place	Yes	
PAYE submissions to HMRC made in 'Real Time' (using Basic PAYE Tools)	Yes	Further to problems experienced from October to January, all issues resolved and PAYE and related software now working as expected.
Approved salary reviewed annually	-	Clerk appointed 1 October 2023. Salary review not yet applicable.
Registration with The Pensions Regulator current and completed	Yes	
Expenses evidenced and paid correctly	Yes	Administrative expenses minimal for 2023-2024 - correctly itemised, evidenced and paid.
VAT		
VAT correctly accounted for; VAT payments identified and recorded	Yes	VAT identified separately and properly within the accounts.
VAT reclaimed from HMRC	Yes	VAT reclaimed annually. 2022-2023 amount reclaimed successfully.
Openness		
Compliance with Transparency Code for Smaller Authorities	Yes	Major historical gaps in publication being addressed as fast as possible with completion expected by the end of 2023-2024.
Council website user-friendly and pages promote openness and transparency	Yes	Again, historical deficiencies but these being tackled rapidly.
Council compliant with data protection and freedom of information legislation	Yes	
Publication Scheme published	Yes	
Privacy Notice published	Yes	

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Data and document retention policy in place	Yes	
Electronic data backed-up regularly	Yes	
Council Meetings		
Agendas issued with appropriate notice and sufficiently informative to provide for public awareness and Council decision-making	Yes	
Agendas, associated papers and minutes published	Yes	Readily available on the Council website.
Minutes properly numbered and paginated with signed copies kept for safekeeping	Yes	
Any committees, working parties or working groups properly created with terms of reference	Yes	Just one working group in 2024 to review the 2023-2024 budget and to recommend the Council precept for 2024-2025.
Councillors		
Procedures in place for recording and monitoring interests and any gifts and/or hospitality	Yes	Standing agenda item for each meeting requiring declarations and councillor interests properly recorded in the Register held by Mid Suffolk District Council.
Officers and Council representatives elected to external bodies at Annual Council Meeting	Yes	
Contact details published	Yes	
Code of Conduct adopted	Yes	New Code adopted 12 March 2024.
Declarations of Acceptance of Office completed and signed	Yes	

Date of review of system of Internal Controls:

Review of system of Internal Controls carried out by:

Name:

Signature:

Report considered and approved by the Council:

Date/Minute: