# St Minver Highlands Parish Council

## Statement of Internal Control

### Introduction

St Minver Highlands Parish Council (the Council) is a local authority funded largely by public money and is responsible for ensuring its financial business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk, including measures to detect fraud and corruption.

The Council is required to review at least annually the effectiveness of its system of financial control. This is informed by the work of the internal auditor and Councillors, who have responsibility for the development and maintenance of the internal audit environment, and also any comments made by the external auditors in their annual report.

### The Purpose of the System of Internal Control

The Council's system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure. It cannot provide an absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them effectively and economically.

The system of internal control accords with the practices set out in the Governance and Accountability in Local Councils: A Practitioners' Guide (2022 edition).

### The Internal Control Environment

The Council has adopted Financial Regulations (on 13 March 2023) which set parameters for the Council's financial operations. The Council has appointed a Parish Clerk who implements financial systems and controls.

The Council uses a manual system together with Microsoft word and excel to process transactions and monitor performance against budget. Payroll software is HMRC BPT-RTI. Banking services are provided by Lloyds. An independent internal audit service is provided by Aalgaard Renshaw Business Solutions and Council's internal monitoring is undertaken by the Councillors, with all Councillors receiving copies of the monthly

payments list, monthly income list, comparison of budget to actual to date and monthly bank reconciliation.

Any issues raised by the Internal Auditor are reported in writing to the Council and agreed actions are monitored to ensure that they have been carried out and actioned within agreed timescales. Additionally, the Council seeks and receives appropriate property, legal, insurance, and health & safety advice as appropriate to manage risk.

The Council is responsible for:

- Establishing and monitoring the achievements of the authority's objectives
- The facilitation of policy and decision making
- Ensuring compliance with established policies, procedures, laws and regulations
- Identification and management of risk
- Ensuring that best value and value for money are achieved in all purchases
- Ensuring all Councillors receive regular and up to date reports on financial activities under their direction
- Ensuring performance is regularly monitored against financial and operational budgets – this is done on a quarterly basis.
- Control and reports on the financial management of the Council - quarterly

**Review of Effectiveness**

The Council through the Clerk has responsibility for conducting a review of the effectiveness of the system of internal control and the internal audit process.

The review of the effectiveness of the system of internal control is monitored by:

- The Parish Clerk is the Council's Responsible Finance Officer who acts as the Council's legal advisor and administrator. The Clerk is responsible for administering the Council's finances, for advising on compliance with laws and regulations which the Council is subject to, and for managing risks. The Clerk also provides advice to help the Council ensure that its procedures, control systems and policies are adhered to.
- The Parish Councillors monitor progress against objectives, financial systems and procedures, budgetary control, and carry out regular reviews of financial matters. Minutes of meetings are circulated to all members of the Council and recommendations are considered at full council meetings. The full council meets 12 times each year. It monitors progress by receiving relevant reports from the Clerk, Internal and External auditors
- The work of the Internal Auditor. The Internal Auditor, an independent person specialising in local council matters, reports to the Council on the adequacy of its records, procedures, systems, internal control and risk management.
- The External Auditors, on receipt of specified documents, provide confirmation in their annual report that the Parish Council's records are satisfactory.

Any concerns about the effectiveness of the system of internal control are investigated and action taken as appropriate.

**Summary of Processes of Internal Control:**

To warrant a positive response to the assertion that the Parish Council maintains an adequate system of internal control, including measures to prevent and detect fraud and corruption and review its effectiveness, the following processes need to be in place and effective:

1) Standing Orders and Financial Regulations. The Parish Council needs to have in place standing orders and financial regulations governing how it operates. Financial regulations need to incorporate provisions for securing competition and regulating the way tenders are invited. These need to be regularly reviewed, fit for purpose, and adhered to.
2) Safe and Efficient Arrangements to Safeguard Public Money. Practical and resilient arrangements need to exist covering how the Parish Council orders goods and services, incurs liabilities, manages debtors, makes payments, and handles receipts. It needs to have in place safe and efficient arrangements to safeguard public money.
3) The Parish Council needs to regularly review the effectiveness of its arrangements to protect money. It must arrange for the proper administration of its financial affairs and ensure that the RFO has formal responsibility for those affairs (The Accounts and Audit Regulations 2015; Regulation 4 of the Accounts and Audit Regulations 2015.) The RFO must put in place effective procedures to accurately and promptly record all financial transactions and maintain up to date accounting records throughout the year, together with all necessary supporting information.
4) The Parish Council must ensure controls over money are embedded in Standing Orders and Financial Regulations. Section 150(5) of the Local Government Act 1972 required cheques or orders for payment to be signed by two elected members. Whilst this requirement has now been repealed, the 'two-member signatures' control needs to remain in place until such time as the authority has put in pace safe and efficient arrangements in accordance with (2) (5) (6)and (7).
5) The Parish Council must approve the setting up of, and any changes to, accounts with banks or other financial institutions.
6) The Parish Council needs to approve every bank mandate, the list of authorised signatures for each account, the limits of authority for each account signature and any amendments to mandates.
7) Risk assessment and internal controls need to focus on the safety of the authority's assets, particularly money. Those with direct responsibility for money need to undertake appropriate training from time to time.
8) Employment — The remuneration payable to all employees needs to be approved in advance by the Parish Council. In addition to having robust payroll arrangements which cover the accuracy and legitimacy of payments of salaries and wages, and associated liabilities, it needs to ensure that it has complied with its duties under employment legislation and has met its pension obligations.

9) VAT — The Parish Council needs to have robust arrangements in place for handling its responsibilities regarding VAT.
10) Fixed Assets and Equipment — The Parish Council's assets need to be secured, properly maintained, and efficiently managed. Appropriate procedures need to be followed for any asset disposal and for the use of any resulting capital receipt.
11) Loans and long-term liabilities — The Parish Council must ensure that any loan or similar commitment is only entered into after it is satisfied that it can be afforded and that relevant approvals have been obtained. Proper arrangements need to be in place to ensure that funds are available to make repayments of capital and any associated interest and other liabilities.
12) Review of effectiveness — Regulation 6 of the Accounts and Audit Regulations 2015 requires the Parish Council to conduct a financial year review of the effectiveness of the system of internal control. The review needs to inform the authority's preparation of its annual governance statement.
13) Supporting information: The authority needs to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes considering internal auditing guidance for smaller authorities.

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**To Be Reviewed again in March 2027**