

Farnsfield Parish Council

Reviewing the Effectiveness of Internal Controls Policy

Background: Legal Framework

Regulation 6 of the Accounts and Audit Regulations 2015 requires smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control to inform the council's preparation of its annual governance statement.

The Annual Governance Statement Assertion 2 - Internal Control states that:

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

Compliance: Reviewing the Effectiveness of Internal Controls

In order to warrant a positive assertion, the council must comply with several processes that need to be in place and effective as referenced within the Governance and Accountability Practitioners Guide. The Council have adopted a 'Statement of Internal Controls'.

Using the guidance contained within the Governance and Accountability Practitioners Guide, Farnsfield Parish Council has developed an internal controls checklist (Appendix A). This checklist will be used by the council (or duly delegated committee) at least once a year, to review the effectiveness of the internal control procedures. The outcome of the review will be formally reported and minuted at a council meeting.

Review of the Policy

This policy will be reviewed at least on an annual basis or as required to comply with legislative Changes or guidance contained within the Governance and Accountability Practitioners Guide.

Date First Adopted: 21st May 2024 [minute reference 2425.41FC]

Appendix A: Farnsfield Parish Council: Reviewing the Effectiveness of Internal Controls Checklist

Internal Control	Suggested Testing	Yes	No	Parish Council Controls / Comments / Recommendations
Standing Orders & Financial Regulations	1) Has the Parish Council formally adopted Standing Orders and Financial Regulations? Are these up to date and based on the latest NALC Model and tailored to the requirements of the Council?			
Accounting Records ie Cashbook	1) Is the cash book being kept up to date? Cross reference it with minutes/bank statements/cheque books			
Bank Reconciliations	1) Is a bank reconciliation carried out regularly? Is the council or duly delegated committee provided with this information regularly? 2) Is the monthly reconciliation checked against bank statements?			
Payment Controls	1) Has a Responsible Financial Officer been appointed with specific duties? 2) Have items or services been competitively purchased? 3) Are all payments listed in the minutes? 4) Are payments in the cashbook supported by invoices, authorised in accordance with a minute resolution or delegated authority? 5) Has VAT on payments been identified, recorded and reclaimed? 6) Is s137 expenditure separately recorded and within statutory limits? If the Council has declared the General Power of Competence, this is no longer a requirement. 7) Do payments made correspond with the invoiced amounts? Check legitimacy of Direct Debits and Standing Orders.			
Cheques	1) Are they properly and fully completed before being signed? 2) Are cheque counterfoils always initialled by the signatories? 3) Do Paid cheques correspond with bank statements? – also check outstanding payments			
Receipts	1) Is income due to the council being collected promptly and in full? 2) Are receipts being given? 3) Is income properly controlled pending being paid into the bank? ie in accordance with the council's Financial Regulations?			

Internal Control	Suggested Testing	Yes	No	Parish Council Controls / Comments / Recommendations
Allotments	If applicable: Rent letter sent out and rents received in a timely matter? Tenancy agreements issued?			
Surplus Balances	Are surplus deposits placed in a suitable interest-earning bank account?			
Debt Collection	1) Does the Council have in place debt monitoring arrangements for the collection of sums of money owed to them for?			
Employment / Payroll Controls	1) Do all employees have contracts of employment with clear terms and conditions? 2) Do salaries paid agree with those approved by the Council? 3) Are other payments to employees reasonable and approved by the Council? 4) Have PAYE/NIC been properly and operated by the Council as an employer? P32s checked on the council's HMRC Gateway? Real Time Information reporting done on time? (so as not to incur financial penalties for the council).			
Internet Banking	Are checks implemented by the council being adhered to?			
VAT Controls	1) Is it properly recorded in the cash book? 2) Claim for refund of VAT made and paid to the council? Claim properly submitted in a timely manner?			
Risk Management Arrangements	1) Does a review of the minutes identify any unusual financial activity? 2) Do minutes record the council carrying out an annual corporate risk assessment? 3) Is the insurance cover appropriate and adequate, including the arrangement for Fidelity Guarantee?			
Bank Accounts	Is the bank mandate up to date and have the list of authorised signatories been approved by the Council?			
Budget and Financial Statement	1) Has the Council prepared an annual budget in support of it's precept? 2) Is actual expenditure against the budget regularly reported to the Council? 3) Are there any significant unexplained variances from budget?			

Internal Audit Reports	Presented to full council (or committee as directed) and recommendations acted upon?			
External Audit Report	Has this been presented to full council and directives acted upon?			

Names of Councillors carrying out the effectiveness of internal control checks:

Councillor: **Signed:** **Date:**

Councillor: **Signed:** **Date:**

Councillor: **Signed:** **Date:**

Has the outcome of the review of the effectiveness been formally reported to the full council: Yes / No

Date of Council Meeting: