



Halton-with-Aughton Parish Council

Statement of Internal Control

1. SCOPE OF RESPONSIBILITY

Halton-with-Aughton Parish Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, and property 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.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable 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 ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

3. THE SYSTEM OF INTERNAL CONTROL

3.1 The Council

The Council appoints a Chairman at the annual meeting in May who is responsible for the smooth running of meetings and for ensuring that proper decisions are taken at those meetings.

The Council reviews its obligations, strategy and budgets between November and January so that the level of precept required for the following financial year can be approved at the January or February meeting.

The Council meets 11 times each year and monitors progress against its aims and objectives at each meeting by receiving relevant reports from the Clerk, including a Finance Report which provides budgetary oversight.

The Council regularly reviews its internal controls, policies and procedures. The Council has adopted Standing Orders and Financial Regulations, based-upon recommendations from NALC, that contain the procedures and processes for conducting the Council's business.

3.2 The Clerk / Responsible Financial Officer (RFO)

The Clerk acts as the Council's advisor and administrator.

The Clerk is responsible for the day to day compliance with law and regulations that the Council is subject to, implementing the Council's decisions and managing risks.

The Clerk ensures that the Council adheres to the internal controls, policies and procedures.

The Responsible Finance Officer is responsible for administering the Council's finances.

3.3 Risk Management

The Council carries out risk assessments in respect of its actions and annually reviews its internal controls, procedures and processes.



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3.4 Internal Auditor

The Council uses two Clerks from neighbouring Parish Councils (Slyne-with-Hest, Bolton-le-Sands) on a rotating basis to act as an independent Internal Auditor. If this cannot occur, then a suitably qualified person will be contracted to undertake the audit.

The Internal Auditor reviews the adequacy of the Council's financial records, procedures, systems, controls and risk management.

The internal audit occurs twice during the financial year, once in the autumn and the second in spring prior to the external audit.

3.5 External Auditor

Annually, the RFO and Internal Auditor complete the relevant sections of the Annual Governance and Accountability Return (AGAR). The Council considers and approves the AGAR before it is returned to be reviewed to the Council's External Auditors, PKF Littlejohn LLP.

Once the review is complete the External Auditor completes and returns the External Auditor Report and Certificate, which will raise any issues that the Council must address.

3.6 Financial Management

Details of all payments and income are provided to the Council at each meeting by the Clerk/RFO, so that they can be reviewed, approved and minuted.

Payments are made in accordance with the approved Standing Orders and Financial Regulations and are paid by the following methods:

- Online banking requiring two signatures
- Cheques requiring two signatures.
- Direct Debit (Water rates and Public Works Loan Board only)

The Clerk/RFO undertakes regular bank reconciliation to ensure that records are correct.

The Clerk/RFO can view and setup bank payments but is not a signature on the bank account(s), so cannot authorise payments. All members of the Council are signatures on the bank account(s).



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4. REVIEW OF EFFECTIVENESS

The Council must review the effectiveness of the system of internal control annually, in accordance with the Accounts and Audit Regulations 2015. The review should be designed to assure the Council that it has maintained the standards of an adequate and effective internal audit of its risk management, control and governance processes. It should include, as a minimum, assess each of the following:

4.1 Scope of the internal audit

The internal audit covers examination and testing of the Council's records, including (but not limited to) the payments and receipts records, bank statements, VAT returns, minutes, asset register, risk register, Standing Orders, Financial Regulations and insurance provision (see Appendix: Internal Audit Checklist).

The Clerk/RFO ensures all records are available to the Internal Auditor and attends to answer questions arising during the audit.

4.2 Independence of the internal auditor

The Internal Auditor does not have any other role in relation to Halton-with-Aughton Parish Council.

4.3 Competence of the internal auditor

The Internal Auditor is both a Clerk and Responsible Finance Officer, so understands proper practices in relation to governance and accounting requirements within the legal framework and powers of smaller authorities.

4.4 Relationships with the Clerk and the Council

The Internal Auditor has direct access to the RFO and, if necessary, to the Chairman of the Council.

The internal audit report of the Annual Governance and Accountability Return, together with any findings and recommendations, is seen by the Council before completion of the Annual Governance Statement.

4.5 Audit Plan and Reporting

The internal audit plan is based on the Council's current level of regular receipts and payments and the perceived likely risks (fraud, misuse of public funds, etc.).

In conjunction with the monthly bank reconciliation and the monthly budgetary control review, the Council considers that two annual internal audits is sufficient to

The Internal Auditor will report his findings to the Clerk/RFO, who will communicate these to the Council at the next meeting. The Internal Auditor also provides the written report of the Annual Return to the external auditor. Any recommendations or issues raised by the internal auditor are presented to Council and subsequent remedial actions will be monitored to ensure that they have been actioned within the agreed timescale.

5. SUMMARY

The Council has reviewed the effectiveness of the internal audit and is satisfied there are no matters that require attention or modification this year.

Chairman

Date



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APPENDIX: INTERNAL AUDIT CHECKLIST

| Internal Control | Tests |
|---|--|
| Previous Internal Audit Report | Do the minutes record that the Council has considered the Internal Audit Report for the previous year and the matters arising addressed? |
| Proper bookkeeping | Is the cashbook maintained and up to date? |
| | Is the cashbook arithmetically correct? |
| | Is the cashbook regularly balanced? |
| Standing Orders and Financial Regulations | Has the Council formally adopted Standing Orders and Financial Regulations? |
| | Has a Responsible Financial Officer been appointed? |
| | Have items or services above a de minimus amount been competitively purchased? |
| | Are payments in the cashbook supported by invoices and have they been authorised and minuted? |
| | Has VAT on payments been identified, recorded and reclaimed? |
| | Is Section 137 expenditure separately recorded and within statutory limits? |
| | Does a scan of the minutes identify any unusual activity? |
| Risk Management Arrangements | Do the minutes record the Council carrying out an annual risk assessment? |
| | Is insurance cover appropriate and adequate? |
| | Are internal financial controls documented and regularly reviewed? |
| | Are there any significant unexplained variances from budget? |
| Budgetary Controls | Has the Council prepared an annual budget in support of its precept? |
| | Is actual expenditure against the budget regularly reported to Council? |
| | Are there any significant unexplained variances from budget? |
| Income Controls | Is income properly recorded and promptly banked? |
| | Does the precept recorded in the cashbook agree to the District Council's notification? |
| | Are security controls over cash adequate and effective? |
| Petty Cash Procedures | Is all petty cash spent recorded and supported by VAT invoices/receipts? |
| | Is petty cash expenditure reported to Council? |
| | Is petty cash reimbursement carried out regularly? |
| Payroll Controls | Do salaries paid agree with those approved by Council? |
| | Are other payments to the Clerk reasonable and approved by Council? |
| | Has PAYE/NIC been properly operated by the Council as an employer? |
| Asset Controls | Does the Council keep as Assets Register of all material assets owned? |
| | Is the Register up to date? |
| | Do asset insurance valuations agree with those in the Register? |
| Bank Reconciliation | Is there a bank reconciliation for each bank account? |
| | Is the bank reconciliation carried out regularly on the receipt of statements? |
| | Are there any unexplained balancing entries in any reconciliation? |
| Year End Procedures | Are year-end accounts prepared on the correct accounting basis? |
| | Do accounts agree with the cashbook? |
| | Is there an audit trail from underlying financial records to the accounts? |
| | Where appropriate, have debtors and creditors been properly recorded? |