

THURSTON PARISH COUNCIL

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Paper submitted by the Parish Clerk at the meeting of the Policy & Resources Committee on 12th February 2021. Council is requested to consider this Statement of Internal Control Policy and to adopt it for the year 2020-2021.

INTERNAL CONTROL POLICY

1. Scope of Responsibility

Thurston Parish Council (the Council) is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the effective management of risk. In accordance with the Local Government Act 1972 s151, the Council has appointed the Clerk as the Responsible Financial Officer (RFO) who administers the council's financial affairs in accordance with all Acts, Regulations and proper practices.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

Internal control is designed to reduce financial risk to the Council; the system of internal control is designed to ensure that the Council's activities are carried out properly and as intended. Internal controls are set up by the Clerk / RFO but it also falls to Council Members to ensure that they have a degree of control and understanding of those controls. Controls will include the checking of routine financial procedures; the examination of financial comparisons; the recording of assets and liabilities; the identification of risk and 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. PERSONNEL INVOLVED WITH THE INTERNAL CONTROL ENVIRONMENT

3.1 The Council

- The Council has appointed a Chairman who is responsible for the smooth running of meetings and for ensuring that all Council decisions are lawfully taken.
- Chairmen of Committees exercise similar responsibilities under delegated authority within their terms of reference.
- The Chairman of each meeting (of both Council and Committees) signs each page of the minutes.
- Decisions made are within the Standing Orders and Financial Regulations laid down and approved by the Council. These are kept regularly under review.
- The Council reviews its obligations and objectives and approves budgets for the following year at its December and January meetings.
- The January meeting of the Council approves the level of precept for the following financial year.

- The Council receives and considers regular financial statements at its monthly meetings.
- Payments are made in accordance with Standing Orders and Financial Regulations.
- The appointment of authorised signatories is kept under review.
- Two Councillors (from the currently authorised signatories) sign all cheques. The signatories initial the cheque stub and the relevant invoice or request for payment form. The signatories will ensure that the cheque agrees with the amount of the invoice and the payee named on the invoice.
- Effective February 2021, Council will move to a system whereby the default position will be that payments will be made using internet banking.
- All such payments will be made in accordance with Council's adopted Financial Regulations and adopted Internal Banking Policy 2021.
- Internal control issues are reviewed regularly by the Internal Controller (quarterly) and Policy & Resources Committee (quarterly).
- All Council policies are reviewed annually for accuracy in relation to the policy areas they reflect, changes in legislation and current best practice.
- The Council has an up-to-date Risk Register which is reviewed on a quarterly basis of the RFO and Internal Controller and the Policy and Resources Committee on an annual basis or as and when any new activity or risk is undertaken or identified.

3.2 Clerk and Executive Officer to the Council / RFO

The Council has appointed a Clerk to the Council who acts as the Council's advisor and principal administrator. The Clerk is also the Council's RFO and is responsible for managing the Council's finances. The RFO is responsible for the day-to-day compliance with legislation and policies and for managing risks. The RFO ensures that the Council's procedures, control systems and policies are maintained. The RFO also exercises responsibility for the Council's banking arrangements in conjunction with the Policy & Resources Committee. The duties of the Clerk / RFO are laid down in a Job Description which was last reviewed and updated in 2019.

The Clerk in undertaking the role of RFO manages the timetable for the audit programme, Council approval of the annual return, and the compliance with the electors' rights. The RFO submits all the requested information to the External Auditor by the agreed date and arranges for the required publication of notices, accounts and returns.

The RFO has authority to initiate payments on the Council's bank accounts for authorisation by two authorised bank signatories. This arrangement is controlled by Financial Regulation 6.9.

The Council has a Credit Card with Lloyds Bank which is restricted to use by the RFO for use in single transactions with a maximum limit of £1,000. The use of this card is controlled by Financial Regulation 6.19.

3.3 Deputy Clerk

The Council has appointed a Deputy Clerk who acts in support of the Clerk and has a deputising role. In particular the postholder has responsibility for the administration relating to the responsibilities of the Emergency Planning Committee and Climate Awareness and Environment Committee. The duties of the Deputy Clerk are laid down in a Job Description which was issued in January 2021.

3.4 Internal Auditor (IA)

The Council has appointed an Independent Internal Auditor (the IA) who will report to the Council on the adequacy of the Council's:

- Records, procedures and systems
- Book-keeping and bank reconciliations
- Financial regulations and standing Orders
- Budgetary controls
- Asset management
- Payment controls
- Risk management
- Statutory / regulatory compliance
- Regular reviews of the effectiveness of internal control.

The effectiveness of the internal audit is reviewed annually, and the Council reviews the appointment of the IA. The IA, who is competent and independent, will carry out the work required in accordance with the Governance and Accountability Guide for Local Councils and additionally will be advised of any additional work required by the Council.

The scope of the work of the IA is reviewed annually and the review and the appointment is minuted.

The IA will inspect the accounts at the year-end (prior to completion of the Annual Governance and Accountability Return (AGAR) -Sections 1 and 2) and will complete the Annual Internal Audit Report of the AGAR.

The IA will write a separate report to the Council (a copy of which is provided to all members) detailing any findings they might have. The report of the IA is considered as an agenda item at the next available meeting. Recommendations from the report will be recorded in the minutes and the Policy and Resources Committee will produce an Audit Plan to manage any identified weaknesses or recommendations identified for improvement.

3.5 External Audit

Given the level of income and expenditure, Council is subject to a Limited Assurance Review by an External Auditor as appointed by The Smaller Authorities' Audit Appointments Ltd which is a section led company appointed by the Department of Communities and Local Government, as the specified person to procure and appoint external auditors to smaller authorities. They perform the functions set out in relevant legislation and have been awarded the ongoing audit contract for the five-year period commencing 1st April 2017. The Council's External Auditors submit an External Auditor's Report, which is presented to the Council.

Under the limited assurance regime, the external auditors undertake a limited range of specified procedures to give a report that provides limited, rather than reasonable, assurance about the Council's accounting statements.

4. REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting an annual review of the effectiveness of the system of internal control. The review is informed by the work and any issues identified by:

- Full Council – identification of new activities
- Policy and Resources Committee – identification of new activities or risks

- Clerk to the Council / RFO who has responsibility for the development and maintenance of the internal control environment and managing risks
- IA, who reviews the Council's system of internal control and who makes a written report to the Council
- The Council's External Auditors, who make the final check using the AGAR, a form completed and signed by the RFO, the Chairman and the IA. The External Auditor issues an annual audit certificate and identifies any actions taken need to be taken into account by the Council arising from Audit Report.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

No internal control issues were identified during the financial years ending 31 March 2018 or 2019. The internal audit carried out in April 2020 concluded that: "The Internal Audit work undertaken confirmed that during the 2019/20 year the Council maintained effective governance arrangements including a robust framework of financial administration and internal control" and that "The Council demonstrates good practice by maintaining and regularly reviewing a wide range of formally agreed Policies and Procedures. The Internal Audit review, undertaken on the documentation provided to the Internal Auditor and that published on the Council's website, has confirmed the overall adequacy of the financial arrangements in place within the Council. By examination of the 2019/20 accounts and supporting documentation it was confirmed that the Clerk, in the role as the Council's RFO, satisfactorily undertook the administration of the Council's financial affairs and produced satisfactory financial management information to enable the Council to make well-informed decisions".

6. EXTERNAL AUDIT OPINION

There were no matters raised on the Annual Return for the financial year to 31 March 2020 which have cause for concern. However a comment was made relating to the timing of the commencement of the exercise of public rights following the approval of Sections 1 and 2 of the Annual Governance and Accountability Return by the Council. The comment stated that under

"Regulation 12 (3) of the Accounts and Audit Regs 2015 (signing and approval of the statement of accounts for Category 2 authorities) requires the Responsible Financial Officer as soon as practicable after the date on which the authority complies with regulation 12 (2c) (re. accounts approved and signed following meeting) to do the following on behalf of the smaller authority:

- (a) commence the period for the exercise of public rights in accordance with regulation 14 and regulation 15; and
- (b) notify the local auditor of the date on which that period was so commenced.

We note that Section 1, the Annual Governance Statement and Section 2, the Accounting Statements were both approved on 6 May 2020, however the public rights period did not commence until 3 August. We fully appreciate the difficulties arising as a result of coronavirus restrictions; however, please consider the requirements of the Accounts and Audit Regulations 2015, when setting the date for the approval of the AGAR in relation to the public rights period in future years".

Council was advised that this had been previously queried by the external auditors and that the Clerk had explained that given guidance from HM Government, she had been working from home and would not have been in a position to open the office to members of the public

to allow them to exercise their public rights to examine the accounts. The dates chosen – 3 August to 14 September 2020 - were once the office had been reopened and as such were in full accordance with the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which amended the requirements of the Accounts and Audit Regulations 2015, when setting the date for the approval of the AGAR in relation to the public rights period and allowed councils flexibility to set their dates as long as the period for public inspection began on or before 1 September 2020. This was noted and accepted by the Parish Council at its meeting in November 2020

7. BUSINESS PLANNING AS AN AID TO INTERNAL CONTROL

In 2019 the Council developed a strategic 3-year Business Plan for the period May 2019 to May 2022 with measurable objectives which aims to improve decision-making by focusing on what it intends to do over the next few years and how it intends to do it. The Business Plan will align with and drive the direction of all internal strategies and resources, through both the budget setting process, and via key strategic policies taking the adopted Thurston Neighbourhood Plan into account alongside the adopted Parish Infrastructure and Investment Plan. Decision-making will become more consistent and more in line with core strategies, which in turn will improve both management of risk and more effective use of resources. This is particularly important in the context of the Council's need to account within the terms of the statutory framework for its use of monies received under the Community Infrastructure Levy (CIL). The Business Plan affords a mechanism to ensure that spending decisions on parish infrastructure to support growth are made in the most robust and transparent way. The Business Plan will be revised during 2021 to reflect decisions in terms of both capital investment to support growth, the adopted Neighbourhood Development Plan and as a direct response to CIL Income received to offset the impact of extensive growth in Thurston.

8. DATA PROTECTION COMPLIANCE

The Council has fully complied with the Data Protection legislation which came into force in the United Kingdom on 25 May 2018 and keeps its compliance under regular review. The UK GDPR sets out the information you should supply and when individuals should be informed. The Parish Council has procedures in place to review the information it supplies about the processing of personal data and ensures that it is:

- concise, transparent, intelligible and easily accessible;
- written in clear and plain language, and
- free of charge

Risks and all policies associated with Data Protection are reviewed by the Policy and Resources Committee on an annual basis.