

## KEDINGTON PARISH COUNCIL

YEAR END 31 MARCH 2022

### REVIEW AND AGREE EFFECTIVENESS OF INTERNAL CONTROL/MANAGEMENT OF RISK AND INTERNAL AUDIT IN ACCORDANCE WITH THE ACCOUNTS AND AUDIT REGULATIONS 2015

#### Legislative Background

The Accounts and Audit Regulations 2015. These regulations (Statutory Instrument 2015 No. 234, Local Government, England and Wales) apply to all relevant authorities and were laid before Parliament on 17 February 2015 and brought into force on 01 April 2015. The Secretary of State made the Regulations in exercise of the powers conferred by sections 32, 43(2) and 46 of the Local Audit and Accountability Act 2014 (a). Accounts and Audit (Amendment) Regulations 2016 SI 2016/0065 were approved by Tynwald on 15 March 2016 and came into operation on 1 April 2016.

#### Provisions

##### **Part 1 of the regulations – Introductory**

- 1. Citation, commencement and application**
- 2. Interpretation**

##### **Part 2 of the regulations –Internal Control:**

##### **3. Responsibility for internal control**

A relevant authority must ensure that it has a sound system of internal control which-

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

##### **4. Accounting records and control systems**

(1) Subject to paragraphs (3) and (4), and, in so far as they are not in conflict with those paragraphs, to any instructions given by a relevant authority to its responsible financial officer, that officer must determine, on behalf of the authority-

- (a) the form of its accounting records and supporting records; and
- (b) its financial control systems.

(2) The Responsible Financial Officer for a relevant authority must ensure on behalf of that authority that the financial control systems determined by that officer in accordance with subparagraph (1)(b) are observed and that the accounting records of the authority are kept up to date.

(3) The accounting records must, in particular, contain-

- (a) entries from day to day of all sums of money received and expended by the authority and the matters to which its income and expenditure or receipts and payments relate; and
- (b) a record of the assets and liabilities of the authority.

- (4) The financial control systems determined in accordance with paragraph (1)(b) must include
- (a) measures-
    - (i) to ensure that the financial transactions of the authority are recorded as soon as, and as accurately as, reasonably practicable;
    - (ii) to enable the prevention and the detection of inaccuracies and fraud, and the reconstitution of any lost records; and
    - (iii) to ensure that risk is appropriately managed;
  - (b) identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers.

## **5. Internal audit**

- (1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- (2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit-
- (a) make available such documents and records; and
  - (b) supply such information and explanations; as are considered necessary by those conducting the internal audit.
- (3) In this regulation “documents and records” includes information recorded in an electronic form.

## **6. Review of internal control system**

- (1) A relevant authority must, each financial year-
- (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
  - (b) prepare an annual governance statement;
- (2) If the relevant authority referred to in paragraph (1) is a Category 1 authority, following the review, it must-
- (a) consider the findings of the review required by paragraph (1)(a)—
    - (i) by a committee; or
    - (ii) by members of the authority meeting as a whole; and
  - (b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of
    - (i) a committee; or
    - (ii) members of the authority meeting as a whole.
- (3) If the relevant authority referred to in paragraph (1) is a Category 2 authority, following the review it must-
- (a) consider the findings of the review by members of the authority meeting as a whole; and
  - (b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of members of the authority meeting as a whole.
- (4) The annual governance statement, referred to in paragraph (1)(b) must be—
- (a) approved in advance of the relevant authority approving the statement of accounts in accordance with regulations 9(2)(b) or 12(2)(b) (as the case may be); and
  - (b) prepared in accordance with proper practices in relation to accounts(a).

## Part 4 of the regulations - Published Accounts & Audit – Category 2 Authorities

### Statement of accounts for Category 2 authorities

11.— (1) A category 2 authority must ensure that the statement of accounts required by section 3(3) of the Act is prepared in accordance with these Regulations.

(2) Subject to paragraph (3), a statement of accounts prepared by a Category 2 authority under section 3(3) of the Act must take the form of—

- (a) an income and expenditure account; and
- (b) a statement of balances,

prepared in accordance with, and in the form specified in any annual return required by, proper practices in relation to accounts.

(3) Where, in relation to a Category 2 authority and a financial year, the gross income or expenditure (whichever is higher) is not more than £200,000 for that financial year or for either of the two immediately preceding financial years, the statement of accounts may, instead of complying with paragraph (2), take the form of a record of receipts and payments of the authority in relation to that financial year.

(4) A record prepared in accordance with paragraph (3) must be prepared in accordance with, and in the form specified in any annual return required by, proper practices in relation to accounts.

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#### Internal control:

Kedington Parish Council as a whole is responsible for ensuring its financial management is adequate and effective and that a sound system of internal control is in place which facilitates the effective exercise of the Parish Council's functions.

Kedington Parish Council maintains an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.

<b>Parish Council Procedures</b> <i>Safe and Efficient Arrangements to Safeguard Public Money</i>	<b>Review systems of internal control</b>
Part 2 The Accounts and Audit Regulations 2015 Internal Control  Part 4 of the regulations - Published Accounts & Audit – Category 2 Authorities	Yearly review to agree effectiveness of Internal Control/Management of Risk and Internal Audit in accordance with current Accounts and Audit Regulations is carried out before 31 March in each financial year and agreed by full Parish Council by resolution. Financial Management Risk Assessment is also reviewed annually.

<p style="text-align: center;"><b>Parish Council Procedures</b></p> <p style="text-align: center;"><i>Safe and Efficient Arrangements to Safeguard Public Money</i></p>	<p style="text-align: center;"><b>Review systems of internal control</b></p>
<p>Kedington Parish Council's financial matters are dealt with at the full Council meeting. The boundary within which the Parish Council must act is laid down in its current Standing Orders and Financial Regulations</p>	<p>Internal control is provided using current Standing Orders and Financial Regulations which are reviewed yearly or when new legislation requires.</p> <p>Bank account signatories are reviewed regularly and any changes or new mandates are approved by the full Parish Council.</p>
<p>Kedington Parish Council has an appointed Responsible Financial Officer.</p>	<p>Responsible Financial Officer carries out duties as directed by the full Parish Council, evidence of which is shown in minutes.</p> <p>Responsible Financial Officer is an account signatory by virtue that the Banks will not impart information unless the Clerk/RFO is a signatory.</p>
<p>Payments, Orders and Contracts</p>	<p>Payment of accounts is done in accordance with Standing Orders / Financial Regulations.</p> <p>Petty Cash is exercised in accordance with current Financial Regulations.</p> <p>Orders are raised in accordance with current Financial Regulations / Standing Orders.</p> <p>Contracts (Tenders) are raised in accordance with current Financial Regulations / Standing Orders. Procurement of large contracts are carried out in accordance with Government Legislation.</p>
<p style="text-align: center;"><b>Parish Council Procedures</b></p> <p style="text-align: center;"><i>Safe and Efficient Arrangements to Safeguard Public Money</i></p>	<p style="text-align: center;"><b>Review systems of internal control</b></p>
<p>Kedington Parish Council Clerk/RFO maintains accurate monthly financial records, including income, expenditure, bank reconciliations, petty cash, budgets, assets, Liabilities and VAT.</p>	<p>Responsible Financial Officer presents up to date budget sheets at monthly meetings; these are distributed to all Councillors. All financial documents are put on Parish Council website <a href="http://www.kedington.suffolk.cloud">www.kedington.suffolk.cloud</a></p>

<p>Banking procedures</p>	<p>Repeal of S150 (5) of the Local Government Act 1972 was approved by Parliament in 2014 and a legislative reform order (LRO) was made for Councils to use Internet Banking.</p> <p>All payments shall be effected by internet banking transfer, cheque or other instructions to the council's bankers, or otherwise, in accordance with a resolution of council. If thought appropriate by the council payment for certain items may be made by internet banking transfer provided evidence is retained showing which members approved the payment.</p>
<p>Kedington Parish Council Clerk/RFO deals with salaries, PAYE and VAT. Clerk/RFO prepares payment to Inland Revenue quarterly and VAT is reclaimed every three months.</p>	<p>Salary payments agree with Council approved amounts. Any pay rises are approved by full Parish Council. Responsible Financial Officer ensures PAYE payment to H M Revenue and Customs is made by due date. Clerk/RFO deals with VAT reclaim electronically. Pension obligations (if any) are met in accordance with Government Legislation.</p>
<p style="text-align: center;"><b>Parish Council Procedures</b></p> <p style="text-align: center;"><i>Safe and Efficient Arrangements to Safeguard Public Money</i></p>	<p style="text-align: center;"><b>Review systems of internal control</b></p>
<p>Insurance - Kedington Parish Council has insurance cover obtained through a credited broker, which specialises in Parish Council Insurance.</p>	<p>Insurance Broker is specialist in Parish Council insurance and provides up to date information on the needs of the Parish Council and changes in the law (if any). Fidelity guarantee is reviewed yearly and clearly minuted as are any assets that need adding to the policy.</p>
<p>Kedington Parish Council has a meeting of the full Council to set Annual Budget / Precept.</p>	<p>Councillors are required to declare that they are not in arrears with Council Tax before meeting commences (s106, Local Government Finance Act 1992).</p> <p>Annual Budget / Precept is ratified by full Parish Council before being sent to District Council. Setting budget/precept is included in Financial Management Risk Assessment. Precept amount is clearly minuted in Parish Council minutes.</p>

<p>Standing Orders / Financial Regulations</p>	<p>Kedington Parish Council adopted Standing Orders and Financial Regulations in 2022. These will be reviewed annually or when new legislation requires.</p> <p>Kedington Parish Council acts in accordance with Governance and Accountability for Local Councils – A Practitioners’ Guide (England) and JEPG Governance and Accountability for Smaller Authorities in England – March 2019.</p>
<p>Asset Register</p>	<p>Asset Register is regularly updated when purchases or disposals are made. Asset Register is reviewed and agreed annually and this is clearly noted in the minutes. Street Furniture Condition Report is presented annually to the Parish Council and any maintenance work necessary is agreed and carried out, or sooner if required. This is clearly noted in the minutes.</p>
<p style="text-align: center;"><b>Parish Council Procedures</b></p> <p style="text-align: center;"><i>Safe and Efficient Arrangements to Safeguard Public Money</i></p>	<p style="text-align: center;"><b>Review systems of internal control</b></p>
<p>Risk Assessments – Reviewed and agreed annually by full Parish Council.</p> <p>Risk Assessments updated following Covid-19 pandemic during 2020/21</p>	<p>Kedington Parish Council undertakes Financial Management Risk Assessment (in addition to other Risk Assessments) to ensure it delivers high quality public services to Parishioners and acts within the Law. Financial Management Risk Assessment current out in line with advice from Suffolk Association of Local Councils and National Association of Local Councils.</p> <p>Play equipment reports are received monthly from District Council who also provides an annual report and risk assessment. Play and outdoor gym equipment is regularly maintained. Other equipment is also regularly maintained and faults/defects are repaired as soon as possible.</p>
<p>Training</p>	<p>Kedington Parish Council has a training budget, which ensures Parish Clerk/RFO, Chairman and Councillors have appropriate training and knowledge to carry out their roles effectively.</p>

**Internal audit:**

Internal audit is a key component of the system of internal control and is undertaken by an outside body appointed by Kedington Parish Council. The Internal Auditor will review whether the systems of financial control and controls over the activities of the council are adequate, effective and in line with current regulations. Managing the risk of fraud and corruption is the responsibility of the Parish Council. The internal audit review should cover:

- Review of independence
- Review of competence
- Review of relationships with clerk and councillors
- Review of audit planning and reporting
- Review of audit scope

From 31 March 2011, the requirement to specifically minute an annual review of the effectiveness of internal audit was removed. However, the review should still be undertaken as part of the internal controls.

Parish Council Procedures	Effectiveness of Internal Audit
Kedington Parish Council's appointed Internal Auditor is an independent, fully qualified Auditor.	Independent Auditor carries out the Internal Audit so is unbiased and objective to the function of the Parish Council. Internal Auditor ensures Kedington Parish Council works within the regulated framework and is appointed on a yearly basis by approval of Parish Council.
Clerk/RFO ensures satisfactory timetable is in place in readiness for both Internal and External Audits.	Timetable and planning ensure all records are ready for the Internal Auditor (and External Auditors) within agreed timescale.
Accounts for Internal Audit	Internal Auditor reviews end of year accounts by means of accessing the online Scribe accounting system together with all relevant paperwork. Internal Auditor can compare these Standing Orders and Financial Regulations to ensure Kedington Parish Council is showing correct audit trail and complying with financial regulations.
Parish Council Clerk/RFO will ensure Review of the Effectiveness of Internal Audit is carried out and recorded before 31 March each year.	Full Parish Council approves this document and Internal Audit ensures this condition is complied with.

Parish Council Procedures	Effectiveness of Internal Audit
Proper book-keeping	Clerk/RFO will maintain accurate records of payments and receipts etc. and the Internal Auditor will be given read only access to Scribe accounting system.
VAT on payments	VAT on payments is identified and recorded by RFO. VAT is reclaimed electronically every three months from HM Revenue and Customs and noted in the minutes.
s137 expenditure	s137 expenditure is carried out in accordance with the Local Government Act 1972 and recorded separately on budget sheets; RFO keeps s137 expenditure within statutory limits.
Financial Regulations Standing Orders Payment Controls	Kedington Parish Council has an appointed Responsible Financial Officer. Internal Auditor can see minuted evidence that Standing Orders/ Financial Regulations and Internal Financial Controls are reviewed yearly and documented in minutes. A copy of Standing Orders and Financial Regulations are available to Internal Auditor. Internal Auditor can check that any recommendations from the previous year's Internal and External Audit have been reported to full Parish Council, carried out and complied with.
Budgetary controls	Internal Auditor can see evidence from Budget Setting Meeting and has sight of notes from the meeting and budget sheet for appropriate financial year. Internal Control measures show that budget is monitored monthly.



Parish Council Procedures	Effectiveness of Internal Audit
<p>Income controls</p> <p>Bank reconciliation</p>	<p>Evidence shown in minutes that precept and grant income is properly recorded and minuted.</p> <p>Responsible Financial Officer reconciles bank accounts on a monthly basis and this is presented to Councillors for checking.</p>
<p>Payroll controls</p>	<p>Internal Auditor has evidence that correct payments are being made for wages and salaries and this is well documented with copies of all relevant PAYE paperwork. Salaries are approved and recorded in the minutes of meetings.</p> <p>No increases in salaries are made without approval by full Parish Council. Full Parish Council normally agrees any increase to Parish Clerk's salary and the Clerk leaves the room while the matter is discussed.</p> <p>Employees have yearly appraisals.</p>
<p>Asset Register</p>	<p>Asset Register is reviewed annually and approved by full Parish Council.</p> <p>Asset Register clearly shows new additions and disposals.</p> <p>Internal Auditor can inspect Asset Register annually.</p>

Parish Council Procedures	Effectiveness of Internal Audit
<p>Insurance (reviewed annually)</p>	<p>Internal Auditor can inspect policy document and ensure appropriate cover and fidelity guarantee is in place and reviewed in accordance with financial regulations.</p> <p>Fidelity Guarantee is reviewed annually and reported to full Parish Council. Fidelity Insurance covers Precept and Reserves.</p> <p>RFO ensures new items of equipment are reported to Insurance Company to maintain adequate cover.</p>
<p>Clerk/Responsible Financial Officer will present Internal Auditor's Report to full Parish Council. Any issues arising will be reported and measures put in place to rectify them, agreed by full Parish Council.</p>	<p>Internal Auditor presents report and recommendations to address any issues arising.</p>

**External Audit:**

From 2017, External Auditor appointments passed to a new company, **Public Sector Audit Appointments Limited, who will also be responsible for setting fees.** This Company was set up on behalf of the Department for Communities and Local Government by the National Association of Local Councils (NALC), the Society of Local Council Clerks (SLCC) and the Association of Drainage Authorities (ADA). The National Audit Office will be responsible for issuing the Code of Audit Practice. External Auditors will undertake a review of the Annual Return which combines the accounting statements and the annual governance statement.

External Auditors meet their responsibilities by:

- Reviewing compliance with the requirements for the preparations of the accounts.
- Carrying out high-level review of financial and other information provided to them.
- Reviewing such additional information and explanation as is necessary to provide sufficient evidence that the audited body has maintained an adequate system of internal control and internal audit throughout the relevant financial year.
- Giving a limited review assurance opinion based on their findings in the Annual Return.
- Issue audit opinion – qualified or unqualified based on matters coming to their attention.
- Issue Public Interest Reports – where serious matters of non-compliance need to be brought to public attention.

External Audit	Parish Council Procedures
<p>External Auditors send Annual Governance and Accountability Return (AGARs) and guidance notes for completion. External Auditors provide notices for the appointment of date for the exercise of elector's rights (for relevant year).</p>	<p>Kedington Parish Council undertakes to approve Section 1 and Section 2 of the Annual Governance and Accountability Return (AGARs) in May each year. After review and approval Section 1 and Section 2 are signed at the Parish Council Meeting by the Chairman of the Parish Council and the Responsible Financial Officer. The AGAR is then sent to the External Auditor by required date each year. Approval of Annual Governance and Accountability Return (AGARs) is recorded in the minutes of the meeting where it is approved.</p> <p>Notices for the appointment of date for the exercise of elector's rights is posted on all village noticeboards within timescale and on Parish Council website:  <a href="http://www.kedington.suffolk.cloud">http://www.kedington.suffolk.cloud</a></p>
<p>When audit is complete Annual Governance and Accountability Return (AGAR) is sent back to Parish Council; this and any accompanying notes will be appended to the minutes of the meeting at which it is discussed as an agenda item.</p> <p>Notice of Conclusion of Audit is sent to Parish Council with Annual Governance and Accountability Return (AGAR).</p>	<p>Annual Governance and Accountability Return (AGAR) is posted on Parish Council website when returned from External Auditor.</p> <p>Any issues arising from the External Audit are discussed at full Parish Council and procedures put in place to rectify any issues.</p> <p>Notice of Conclusion of Audit are posted on all village noticeboards within timescale and Parish Council Website:  <a href="http://www.kedington.suffolk.cloud">http://www.kedington.suffolk.cloud</a></p>