

LITTLETON & HARESTOCK PARISH COUNCIL

STATEMENT OF INTERNAL CONTROL FOR FINANCIAL YEAR ENDED 31 MARCH 2023

This statement of internal control was adopted by the Finance and General Purposes Committee at its Meeting held on 27th April 2023.

Introduction

1. Littleton & Harestock Parish Council (the Council) is a statutory local authority that receives funds through the established local government system of council tax from its residents via the collection agency, Winchester City Council. It is responsible for ensuring its financial business is conducted in accordance with the law and proper standards, that its public money is safeguarded, properly accounted for and used economically, efficiently and effectively.
2. In discharging this overall responsibility, the Council is 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.
3. 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 Finance and General Purposes Committee, who have responsibility for the development and maintenance of the internal control and any comments made by the internal and external auditors in their annual report. This statement of internal control is the document produced as a result of the review of its business completed by the Parish Council in respect of the latest local government financial year ended 31 March 2023.

The Purpose of the System of Internal Control

4. 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 business processes designed to identify and prioritise the risks to its policies, aims and objectives, to evaluate the likelihood of those risks being realized, the impact should they be realized and to manage them effectively and economically.
5. The system of internal control for this Parish Council accords with the practices set out in the Governance and Accountability in Local Councils: A Practitioners' Guide (2023 edition).

The Internal Control Environment

6. The Council has Financial Regulations which set parameters for the Council's financial operations. The Council employs a part-time permanent Clerk who is also the Responsible Finance Officer and runs the financial systems and controls thereof on a day-to-day basis.
7. The Council uses Excel spreadsheet software to process transactions and monitor performance against the budget, including payroll. Separate tax and National Insurance (pay) records are also maintained on HMRC provided bespoke payroll software: all electronic records relating to payments are printed off in hard copy and kept in paper files by payment period. Banking services are provided by Lloyds TSB who also provides paper copies of transactions monthly which are kept in the same paper files as all the payment records. An independent internal audit service is provided by John K Murray, DMS, FCPFA (Chartered Public Finance Accountant) and Council's internal monitoring is undertaken by the Parish Council's Finance and General Purposes Committee.
8. 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 within agreed timescales. Additionally, the Council seeks and receives appropriate property, legal, insurance and health & safety advice, as appropriate, to manage risk.
9. The Finance and General Purposes Committee of the Parish Council is responsible for:
 - Establishing and monitoring its overall use of resources
 - 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
- Control and reports on the financial management of the Council

Review of Effectiveness

- 10.** The Council through the Clerk/Responsible Finance Officer (RFO) has responsibility for conducting a review of the effectiveness of the system of internal control and the internal audit process.
- 11.** The review of the effectiveness of the system of internal control is continuously monitored by:
 - The Clerk/RFO also acts as the Council's legal advisor and administrator and is responsible for administering the Council's finances, advising on compliance with laws and regulations to which the Council is subject to, and managing risks. The Clerk/RFO also provides advice to help the Council ensure that its policies and procedures are adhered to.
 - There is an established Finance and General Purposes Committee of the Council which meets at regular intervals, at least three times a year. Members of the committee monitor progress against budgets and procedures and carry out regular reviews of financial matters. Minutes of committee meetings are circulated to all members of the Council and recommendations are considered at full council meetings. The full council meets 11 times each year. It monitors budgetary progress both by receiving relevant reports from the Finance and General Purposes Committee and the Clerk/RFO as well as receiving budgetary statements every month as part of the list of payments summary.
 - 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 similarly assess these areas in their annual report. External auditors are appointed by central government.
- 12.** Any concerns about the effectiveness of the system of internal control are investigated as soon as possible and action taken as required.
- 13.** There have not been any areas of internal control weakness identified in the last year; this has also been confirmed by the internal auditor in his report dated 21st April 2023. The Clerk/RFO (appointed 3 Sept 2018) continues to develop in the role and has achieved the CilCA accreditation. She is constantly seeking to improve the way the Parish Council controls its business, making relevant recommendations to Parish Councillors.

APPENDIX A: Annual Governance Assertions

The following notes describe the internal control measures that are in place to support the Annual Governance Statement for 2022/23.

Assertion 1 — Financial management and preparation of accounting statements

Budgeting: We prepare an annual budget and use it to set the precept.

Budget Monitoring: The budget is monitored regularly by the Finance and General Purposes Committee.

RFO: An officer is appointed to be responsible for financial administration. The RFO must make sure that all financial control systems are observed and accounting records are kept up to date.

Bank reconciliations: Reconciliations are performed monthly and are checked for correctness by a councillor each month. This is verified by the Finance and General Purposes Committee.

Investments and Reserves: The Finance and General Purposes Committee approve an investment strategy annually, and regularly reviews the reserves statement.

Assertion 2 — Internal control

Standing Orders and Financial Regulations: These policies set out the council's financial system, and the Clerk follows the regulations appropriately. Payments are made with approval from two signatories or via the Parish Council for larger amounts.

Insurance: The council is insured against fraud, and the fidelity coverage is reviewed by the Finance and General Purposes Committee.

Employment: The council operate PAYE, and pension and TAX/NI are paid appropriately.

Assets: The asset register is updated each year, and all assets are properly managed.

Assertion 3 — Compliance with laws, regulations and proper practices

The clerk provides advice to the council to ensure compliance with laws, and regulations. She follows the proper practices as identified in the JPAG practitioners' guide.

Assertion 4 — Exercise of public rights

Last year's AGAR documentation was published on the website and notice boards, and the public rights notification was appropriately advertised. This was specifically checked by the internal auditor.

Assertion 5 — Risk management

A comprehensive risk register is provided which is reviewed in March and September as a minimum. Additional Covid risk registers for use of council buildings and other assets also exist.

Assertion 6 — Internal audit

An independent internal audit service is provided by a Chartered Public Finance Accountant (FCPFA)

Assertion 7 — Reports from auditors

All feedback from auditors has been taken into account.

AGS Assertion 8 — Significant events

The council has fully disclosed its business activities during the year and any events taking place after the year-end.

Assertion 9 — Trust funds (local councils only)

Several councillors are appointed as trustees of the Littleton Recreation Ground charity. No money has been paid or received by the charity and the Clerk has submitted annual reports appropriately. It is planned to discontinue this charity as soon as possible.