

POLICY AND PROCEDURE: To evaluate the effectiveness of the system of internal controls

Purpose

Melbourn Parish Council is required to make proper arrangements for safeguarding the public money and resources in its charge. It is responsible for ensuring that its affairs are managed in accordance with appropriate standards of financial conduct and that arrangements exist to prevent and detect fraud and corruption (internal controls). The purpose of internal controls is to manage risk by reducing it to a manageable level. MPC undertakes to review those arrangements at least once every financial year, or after any significant change in circumstances, to ensure that they are working in an adequate and effective way. By undertaking this review, MPC has assurance when answering assertion 2 on the Annual Governance Statement – “we maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.”

The review exercise will be carried out by the FGGC with reference to the RFO, Parish Clerk and the internal and external audit reports. The outcome will be reported to MPC and any weaknesses and areas for improvement acted upon.

Regulatory Framework and Governance

| | Achieved Y/N | Comments |
|--|-----------------|----------|
| MPC has adopted NALC Standing Orders and these are regularly reviewed | | |
| MPC has adopted NALC Financial Regulations and these are regularly reviewed | | |
| The RFO is tasked with proper administration of MPC's financial affairs including implementing appropriate internal controls | | |
| Internal Audit reports are seen by the Parish Council | | |
| External Audit report is seen by the Parish Council | | |

Annual Review of Effectiveness

| Internal Control Process/Objective | Evidence that controls are adequate/effective | Action Needed Y/N | Comments |
|--|--|-------------------------|----------|
| Expenditure Approval/Ordering Orders are made by appropriately delegated persons. Expenditure has been budgeted/appropriately approved. | | | |

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| Value for money is obtained from suppliers through quote and tender procedures. | | | |
| Payment controls Payments made are for goods/services that have been received/carried out and are supported by invoices. Payments are made to the correct payee for the correct amount. Physical controls exist over access to bank accounts. Cheques and bank transfers are signed off by two member signatories. Changes to bank payment details are appropriately approved. | | | |
| Prepaid Debit Cards Prepaid card expenditure is properly controlled, used for council purposes and reported to MPC. | | | |
| Payroll and Employment Payments are made to legitimate employees for pre-approved salary amounts. Changes to salaries and terms of employment are properly approved. MPC has complied with its duties under employment legislation and has met its pension obligations. | | | |
| Taxes – PAYE/NI & VAT Correct deductions are made for employee taxes and paid to HMRC on time. VAT is correctly accounted for and reclaimed regularly. | | | |
| Income collection Income is invoiced, collected promptly and debtors are managed. Receipts are properly recorded. Writing off of bad debts is appropriately authorised. | | | |
| Cash & banking Safe and efficient arrangements are in place for collection and banking of cash receipts. | | | |
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| <p>Bank Accounts MPC has approved every bank mandate. There is a list of approved signatories for every bank account.</p> | | | |
| <p>Cash balances/investments Cash needs are monitored. Surplus cash balances invested appropriately. Measures are taken to reduce exposure to bank failure.</p> | | | |
| <p>Bank reconciliations All bank accounts are regularly reconciled. Bank reconciliations are checked.</p> | | | |
| <p>Assets MPC knows what assets it has, makes appropriate safeguarding arrangements and ensures they are adequately maintained and insured. Appropriate procedures are followed for asset disposal and use of resulting capital receipt</p> | | | |
| <p>Insurance MPC is satisfied that it's insurance cover is sufficient for its assets and risks.</p> | | | |
| <p>Budget setting Robust process for budget setting. MPC has adequate funds to cover its spending plans.</p> | | | |
| <p>Budget monitoring MPC receives regular budget reports and explanations for budget variances.</p> | | | |
| <p>Reserves General Reserve is at an appropriate level. Ring-fenced reserves are for genuine purposes and are reviewed by MPC.</p> | | | |
| <p>Risk Assessments Risk assessments are produced, regularly reviewed and focus on the safety of the authority's assets.</p> | | | |

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| Loans and Long-Term Liabilities MPC is satisfied that loans have the proper approval and that repayments can be afforded. | | | |
| Internal Audit Recommendations made by the Internal Auditor are acted on. | | | |

Internal Controls are considered Adequate & Effective: Y/N

Review carried out by: [names/positions]

Date of Review: [date]

Date reported to MPC: [date]



Document Approval:

(Chair to Melbourn Parish Council)

Date of Parish Council meeting: 11 January 2021

Review Policy: Every 12 months