

**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	Y	Latest version. Reviewed Jun 2021
MPC has adopted NALC Financial Regulations and these are regularly reviewed	Y	Latest version. Reviewed Mar 2021. FGGC review due Mar 2022
The RFO is tasked with proper administration of MPC's financial affairs including implementing appropriate internal controls	Y	Included in RFO job description
Internal Audit reports are seen by the Parish Council	Y	Year-end report MPC 28/06/21 Interim report MPC 17/01/22
External Audit report is seen by the Parish Council	Y	MPC 27/09/21

### Annual Review of Effectiveness

Internal Control Process/Objective	Evidence that controls are adequate/effective	Action Needed Y/N	Comments
<b>Expenditure Approval/Ordering</b> Orders are made by appropriately delegated persons. Expenditure has been budgeted/appropriately approved.	Orders are made by Clerk or Assistant Clerk. Expenditure approvals per Financial Regs. Checks for expenditure budget and approval are made by RFO before payment. Payments lists go to MPC monthly.	N	

Value for money is obtained from suppliers through quote and tender procedures.	Standing Orders set out quote/tender procedures	Y	Financial regs currently require 3 quotes. This is not always practical but best efforts are made. A policy for Procurement & Value for Money is being drafted & will be reviewed by FGGC soon
<b>Payment controls</b> 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.	Invoices for work done/goods received passed from Clerk/Assistant Clerk to RFO. Invoices checked by RFO prior to payment. Invoice 'stamp' system used. Bank signatories check payees/ payment amounts to approvals list. Bank accounts are password protected. Bank and cheque payments require 2 member signatories. Changes to payee details require 2 signatory approval.	N	Main bank account has now introduced multi-factor authorisation
<b>Prepaid Debit Cards</b> Prepaid card expenditure is properly controlled, used for council purposes and reported to MPC.	Policy in place. Expenditure checked & reconciled by RFO and included on payment lists.	N	
<b>Payroll and Employment</b> 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.	Payroll budget agreed by HR Panel & MPC approves precept budget. Gross salary calculations are checked to budget by signatories. Changes to salaries/employment agreed by HR/MPC. HR panel reviews employment legislation. RFO administers pension fund	N	MPC introduced standardised monthly salary payments from 1 April 2021. This makes it easier when making checks prior to salary payment
<b>Taxes – PAYE/NI &amp; VAT</b> Correct deductions are made for employee taxes and paid to HMRC on time. VAT is correctly accounted for and reclaimed regularly.	Moneysoft payroll software used for deductions and uploaded to HMRC monthly. RFO has attended VAT training. VAT is reclaimed quarterly.	N	VAT return/refund now included as standing agenda item for FGGC to note
<b>Income collection</b> Income is invoiced, collected promptly and debtors are managed.	Invoices raised by Clerk/Assistant Clerk and receipts monitored by RFO.	N	

Receipts are properly recorded. Writing off of bad debts is appropriately authorised.	Receipts reviewed and recorded by RFO. Separation of duties. No bad debts to date 2021/22 but any existing would be taken to full council for approval		
<b>Cash &amp; banking</b> Safe and efficient arrangements are in place for collection and banking of cash receipts.	Sequentially numbered receipts issued by Clerk/Assistant Clerk and reconciled by RFO prior to banking. Unbanked cash locked away & insured	N	Minimal cash receipts Draft Cash & Cheque income procedure produced – to be approved
<b>Bank Accounts</b> MPC has approved every bank mandate. There is a list of approved signatories for every bank account.	Yes. MPC approved bank signatories 28/06/21	N	Signatory list due to be reviewed by MPC Jun 2021
<b>Cash balances/investments</b> Cash needs are monitored. Surplus cash balances invested appropriately. Measures are taken to reduce exposure to bank failure.	RFO monitors cash balances Investment Strategy in place – last reviewed 22/03/21.	N	Investment Strategy to be reviewed Mar 2022.  MPC to consider opening second current account 2022/23
<b>Bank reconciliations</b> All bank accounts are regularly reconciled. Bank reconciliations are checked.	Policy in place. Bank recs carried out monthly & reviewed by a designated Cllr. Checks reported at MPC meetings.	N	
<b>Assets</b> 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	Asset register in place, regularly updated and reviewed annually by FGCC. Maintenance committee ensure assets are maintained. Insurance is reviewed by MPC annually. Buildings revalued 2021 and insurance adjusted.	Y	Re-introduction of verification checks by Maintenance Committee when Covid restrictions eased
<b>Insurance</b> MPC is satisfied that its insurance cover is sufficient for its assets and risks.	Policy is a specialist Parish Council policy and is reviewed annually by MPC before renewal (27/09/21)	N	Professional valuation of buildings done in 2021 and then every 5 yrs
<b>Budget setting</b> Robust process for budget setting. MPC has adequate funds to cover its spending plans.	Budget is a multi-stage process and reviewed by FGCC prior to being adopted by MPC. Spending plans are affordable.	N	
<b>Budget monitoring</b>	Finance reports are made to MPC and Maintenance	N	


MPC receives regular budget reports and explanations for budget variances.	monthly including explanations of variances		
<b>Reserves</b> General Reserve is at an appropriate level. Ring-fenced reserves are for genuine purposes and are reviewed by MPC.	Reserve policy in place to bring General Reserve to 6 months expenditure. Reserves reviewed annually by MPC (24/05/21)	N	General Reserve at 6 mnth level. Policy to be determined for Asset Management Reserve (meeting scheduled for March 2022)
<b>Risk Assessments</b> Risk assessments are produced, regularly reviewed and focus on the safety of the authority's assets.	Risk assessments are a standing item on MPC agendas and included in the Policy Review Schedule. Financial Risk Register Sept 2021. Maintenance Committee carry out risk reviews and take actions	N	
<b>Loans and Long-Term Liabilities</b> MPC is satisfied that loans have the proper approval and that repayments can be afforded.	MPC has three PWLB loans which have been properly approved. Repayments are included in precept budget and are affordable.	N	Early repayment to be looked into before next budget (penalties anticipated)
<b>Internal Audit</b> Recommendations made by the Internal Auditor are acted on.	Reports shared with MPC and actions taken as required. Review of Effectiveness of Internal Audit review carried out 09/02/22.	N	

Internal Controls are considered Adequate & Effective: **Yes**

Review carried out by: Cllr Clerk (Chair – MPC), Cllr Cowley (Chair – FGCC), Claire Littlewood (Parish Clerk) and Gabrielle van Poortvliet (RFO)

Date of Review: 09/02/22

Date reported to MPC: 28/02/22



**Document Approval:**

**(Chair to Melbourn Parish Council)**

**Date of Parish Council meeting: 28 February 2022**

*Review Policy: Every 12 months*