

SEDGEFIELD TOWN COUNCIL

REPORT 2019/20 Statement of Internal Control and Annual Review of Effectiveness of Internal Control

Committee **Special Town Council Meeting
Monday 1st June 2020**

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Scope of Responsibility:

The Accounts and Audit Regulations 2015 impose a duty on a local council to ensure “that the financial management of the body is adequate and effective and that the body has a sound system of internal control”. Regulation 6 of the Regulations requires the authority to conduct each financial year a review of the effectiveness of the system of internal control. The review needs to inform the authority’s preparation of its annual governance statement.

Sedgefield Town Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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.

The Purpose of The System of Internal Control:

The system of internal control is designed to manage risk at a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Internal Control Environment:

The Council:

Sedgefield Town Council approves its budget and precept request every January following consideration of recommendations presented by its Finance Working Group which meets on a monthly basis to scrutinise all the Council’s financial matters. The Council’s Policy and Resources Committee meetings monthly, with the exception of August, and monitors the Council’s actual progress against its income and expenditure budget as well as its accounts

for approval etc (see Payment Controls and Budgetary Control detailed in the Statement of Internal Controls below). Planning matters are considered by Full Council each month. The Council also carries out regular views of its internal controls, systems and procedures as detailed in the Statement of Internal Controls below).

Clerk/Responsible Financial Officer:

The Council has appointed a Clerk to the Council who acts as the Council's advisor and administrator. The Clerk is the Council's Responsible Financial Officer and is responsible for administering the Council's finances. The Clerk is responsible for advising on the day to day compliance with laws and regulations that the Council is subject to and for managing risks. The Clerk also provides advice to help the Council ensure that its procedures, control systems and policies are adhered to.

Risk Assessments/Risk Management:

The Council reviews its risk assessments annually. The Council's Corporate Risk Management Schedule was approved by the Town Council at its Policy & Resources Committee meeting held on 9th December 2019.

Statement of Internal Control:

Cashbook / Bank Reconciliations:	The cash book is kept electronically as part of the Council's financial software package. The cashbook is reconciled to the bank statement of each bank account/investment account on a monthly basis and presented to each Policy & Resources Committee meeting. (See Financial Reporting for details of all financial information presented each month to the Policy & Resources Committee)
Financial Regulations:	The Council has adopted Financial Regulations based on the NALC model. The regulations are reviewed for continued relevance and amended where necessary via approval by the Council. Regulations are reviewed at least annually.
Order/Tender Control:	Financial Regulations refer for procedures relating to tenders. A purchase order number record is also maintained along with an audit file for each financial year.
Legal Power:	A proposer legal power is identified for each expenditure.
Payment Controls:	All payments are reported to the Council for approval via the agenda. Payment is in the form of cheque with cheques being signed by any two Councillors of five detailed on the bank mandate plus the Town Clerk. All who sign cheques also sign an approval form. Each invoice is authorised by the Town Clerk and coded to the relevant budget heading for recording purposes. The Town Clerk maintains control of the cheque book at all times. Cheques will only be issued and signed for payment approval in Council meetings.
Payments Made Under Section 173 of the LGA	Sedgefield Town Council has adopted the General Power of Competence and therefore is not required to record payments

1972:	in accordance with Section 173 of the LGA 1972.
VAT Reclaims:	VAT incurred by the Town Council is reclaimed on a six monthly basis covering the periods 1 st April – 30 th September and 1 st October – 31 st March.
Income Controls:	<p>All income is received and banked in the Council's name in a timely manner and reported to the Council on a monthly basis, with the exception of August.</p> <p>Fees and charges for Council services are reviewed as part of the budget setting process by the Finance Working Group in November each year with recommendations presented to the Policy & Resources Committee in December each year for approval.</p>
Financial Reporting:	<p>Every month, with the exception of August, the Clerk presents to each Policy & Resources Committee details of:</p> <ul style="list-style-type: none"> • invoices for payment approval • details of Direct Debit/Debit Card payments progress against budget report, comparing actual receipts and payments to the budget • debtors list • bank reconciliations
Budgetary Control:	<p>The Finance Working Group monitor the Council's budget on a monthly basis and make appropriate recommendations to the Policy & Resources Committee as required. This work also includes the monitoring of Council reserves and investments.</p> <p>The budget is prepared by the Finance Working Group and presented as a recommendation to the Policy & Resources Committee in January each year. As part of this work the Finance Working Group also recommend precept requests which are also presented at the same time in order that requests are submitted by the deadline dictated by the County Council.</p>
Payroll Controls:	<p>All Town Council Staff are paid under PAYE rules as employees of the Council and the necessary system for making payments to HMRC is in place.</p> <p>All staff are on identified spinal column points in accordance with the NJC terms and conditions for the Local Government Service or paid the national living wage. All staff have contracts of employment which clearly mirror their salary arrangements.</p> <p>The Personnel Committee oversee the introduction of any national pay awards or determine the starting point of any new employee. The Council's staffing establishment is reviewed annually by the Council's internal auditor.</p> <p>All staff completed a four week timesheet which is submitted to the Clerk for approval (in the case of the Clerk the Chair of the Personnel Committee). From this information a payroll template is completed and submitted to the Council's payroll provider for the generation of payslips, pensions information, tax etc. Payment is then made by the Council. All returns to HMRC are made by the Council's payroll provider.</p>
Asset Control:	The Clerk maintains a full asset register which is an integral part

	of the Council's financial software package. The existence and conditions of assets is checked on an annual basis by the Council. The adequacy of insurance of the Council's assets is considered as necessary and as a minimum as part of the Council's insurance renewal process.
Internal Audit:	The Council appoints on a three yearly basis an independent internal auditor who annually provides a robust and comprehensive programme of internal audit work throughout the financial year which includes records, procedures, systems, internal control, regulations, risk assessment and year end accounts. For all internal audits performed a level of assurance is given, improvement work suggested (if required) and these matters are reported to the Council's Policy and Resources Committee with the Finance Working Group overseeing implementation of any improvement actions.
External Audit:	The Council submits an Annual Governance and Accountability Return (AGAR) to its appointed external auditor Mazars in advance of their stipulated deadline.

RECOMMENDATION:

To approve the Statement of Internal Control and Annual Review of Effectiveness of Internal Control.

Finance Working Group