



Report ABPC/22/04

To: Aldington and Bonnington Parish Council.

Date: 9 May 2022

Status: Public Report

Subject: Statement on Internal Control for the year ended 31st March 2022 – Annual Governance Statement.

1. **SUMMARY:**

This Report details the Statement on Internal Control to support the Annual Governance Statement required as part of the Annual Governance and Accountability Return for the year ended 31st March 2022.

2. **REASON FOR RECOMMENDATION.**

The Parish Council is asked to agree the recommendations set out below because:

- a. The 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 and effectively.
- b. The Council is responsible for ensuring that this 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 risks.

3. **RECOMMENDATIONS:**

1. **To receive and note Report ABPC/22/04.**
2. **To approve and endorse the Statement on Internal Control for the year ended 31st March 2022.**
3. **To authorise the Chairman of the Parish Council to sign the Statement of Internal Control for the year ended 31st March 2022.**
4. **To respond 'Yes' in boxes 1 to 9 of the Annual Governance Statement at Section 1 of the Annual Return subject to the adoption of Report ABPC/22/04 which relates specifically to Box 6.**
5. **To authorise the Chairman of the Parish Council to sign the Annual Governance Statement**

4. **INTRODUCTION:**

This report attaches the Parish Council's Statement of Internal Control for the year ended 31st March 2022. The Statement of Internal Control supports the Annual Governance Statement made by the Council at Section 1 of the Annual Governance and Accountability Return to the Parish Council's external Auditor, PKF Littlejohn LLP.

Assertion 1 – financial management and preparation of accounting statements:

We have put in pAssertion 2 - lace arrangements for effective financial management

during the year, and for the preparation of the accounting statements.

To warrant a positive response to this assertion, the following processes need to be in place and effective:

- Budgeting – The Council needs to prepare and approve a budget in a timely manner before setting a precept and prior to the commencement of the financial year. It needs to monitor actual performance against its budget during the year. A financial appraisal needs to be undertaken before the council commences any significant project or enters into any long-term commitments.
- Accounting records and supporting documents – all councils need to appoint an officer to be responsible for the financial administration of the council in accordance with Section 151 of the Local Government Act 1972. The Council needs to have satisfied itself that the Responsible Financial Officer has determined a system of financial controls and discharged their duties under Regulation 4 of the Accounts and Audit Regulations 2015.
- Statement of accounts – the council needs to ensure that arrangements are in place to enable preparation of an accurate and timely statement of accounts in compliance with its statutory obligations and proper practices.

Assertion 2 – internal control

We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.

In order to warrant a positive response to this assertion, the following processes need to be in place and effective:

- Standing Orders and Financial Regulations. The Council needs to have in place standing orders and financial regulations governing how it operates.
- Councils need to review regularly the effectiveness of its arrangements to protect money. Every council needs to arrange for the proper administration of its financial affairs and that its Responsible Financial Officer has formal responsibility for those affairs.
- Councils need to ensure controls over money are embedded in Standing Orders and Financial Regulations. Whilst Section 150(c) of the Local Government Act 1972 requiring 2 signatures has been repealed this council has retained the requirement for two signatures to authenticate payments.
- Review of effectiveness – Regulation 6 of the Accounts and Audit Regulations 2015 requires the council to conduct each financial year a review of the effectiveness of the system of internal control.

Assertion 3 – Compliance with laws, regulations and proper practices

We took all reasonable steps to assure ourselves that there are no matters of actual have a significant financial effect on the ability of this smaller authority to conduct its business or on its finances.

In order to warrant a positive response to this assertion, the following processes need to be in place and effective:

- Acting within its powers – all council's actions are controlled by statute. Therefore, appropriate decision making processes need to be in place to ensure that all activities undertaken fall within a council's power to act, in particular councils need to have robust procedures in place to prevent any decisions or payments being made that are ultra vires.
- General Power of Competence – an authority seeking to exercise a general power of competence under the Localism Act 2011 needs to ensure that the power is fully

understood and exercised in accordance with the Parish Councils (General Power of Competence)(Prescribed conditions) Order 2012.

- Regulations and proper practices – procedures need to be in place to ensure that a council's compliance with statutory regulations and applicable proper practices is regularly reviewed and that new requirements, or changes to existing ones, are reported to members and applied.
- Actions during the year – a council needs to have satisfied itself that it has not taken any decision during the year, or authorised any action, that exceeds its powers or contravenes any laws, regulations or proper practices.

Assertion 4 – exercise of public rights

We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.

In order to warrant a positive response to this assertion the council needs to have taken the following actions in respect of the previous year's Annual Governance and Accountability Return.

- Exercise of public rights. The council provided for the exercise of public rights set out in sections 26 and 27 of the Local Audit and Accountability Act 2014. Part 5 of the Accounts and Audit Regulations 2015 requires the RFO to have published, including on the Council's website:
 - Sections 1 and 2 of the Annual Governance and Accountability Return
 - A declaration that the status of the statement of accounts is 'unaudited' and
 - A statement that sets out the details of how public rights can be exercised, as set out in Regulation 15(2)(b), which includes the period for the exercise of public rights.
- External Auditor's Review – A notice of the conclusion of the external auditor's limited assurance review of the Annual Governance and Accountability Return, together with the relevant accompanying information was published in accordance with the requirements of Regulation 16 of the Accounts and Audit Regulations 2015.

Assertion 5 Risk Management

We carried out an assessment of the risks facing this smaller authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.

In order to warrant a positive response to this assertion, the council needs to have the following arrangements in place:

- Identifying and assessing risks – the council needs to identify, assess and record risks associated with actions and decisions it has taken or considered taking during the year that could have a financial or reputational consequences.
- Addressing risks – having identified, assessed and recorded the risks, the council needs to address them by ensuring that appropriate measures are in place to mitigate and manage risk. This might include the introduction of internal controls and/or appropriate use of insurance cover.

Assertion 6 – Internal audit

We maintained throughout the year an adequate and effective system of internal audit of the accounting records and controls systems.

In order to warrant a positive response to this assertion, the council needs to have taken the following actions:

- Internal audit – the council needs to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account internal auditing guidance for smaller authorities.
- Provision of information – the council needs to ensure it has taken all necessary steps to facilitate the work of those conducting the internal audit. Including making available all relevant documents and records and supplying any information or explanations required.

Assertion 7 – Reports from Auditors

We took appropriate action on all matters raised in reports from internal and external audit.

To warrant a positive response to this assertion, the council needs to have considered all matters brought to its attention by its external auditor and internal audit and taken corrective action as appropriate.

Assertion 8 – Significant events

We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this smaller authority and, where appropriate have included them in the accounting statements.

To warrant a positive response to this assertion, the council needs to have taken the following actions where necessary:

- Significant events – the authority needs to have considered if any events that occurred during the financial year (or after the year-end), have consequences, or potential consequences, on the council's finances. If any such events are identified, the council needs to determine whether the financial consequences need to be reflected in the statement of accounts.

Assertion 9 – Trust Funds

Trust Funds (including charitable) in our capacity as the sole managing trustee we discharged or accountability responsibilities for the fund(s)/asset(s), including financial reporting and, if required, independent examination or audit.

Where a local authority acts as a sole managing trustee for a trust or trusts, to warrant a positive response to this assertion the authority needs to have made sure that it has discharged all of its responsibilities with regard to the trust's finances. This needs to include financial reporting and, if required, independent examination or audit. This is notwithstanding the fact that the financial transactions of the trust do not form part of the authority's accounts and are therefore not included in the figures reported on Section 2 of its Annual Governance and Accountability Return.

CONTACT OFFICER AND BACKGROUND DOCUMENTS.

If you have any queries about this report please contact the Responsible Financial Officer of the Council Tel.: 07928453208 or email: clerk@abpc.gov.uk prior to the meeting.