



## Report ABPC/23/006

**To: Aldington and Bonnington Parish Council.**

**Date: 12 June 2023**

**Status: Public Report**

**Subject: Statement on Internal Control for the year ended 31<sup>st</sup> March 2023 – 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 31<sup>st</sup> March 2023.

### 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/23/006.**
2. **To approve and endorse the Statement on Internal Control for the year ended 31<sup>st</sup> March 2023.**
3. **To authorise the Chairman of the Parish Council to sign the Statement of Internal Control for the year ended 31<sup>st</sup> March 2023.**
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/23/006 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 31<sup>st</sup> March 2023. 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, Mazars LLP.

Assertion 1 – financial management and preparation of accounting statements:

**We have put in place 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. The RFO needs to have put in place effective procedures to accurately and promptly record all financial transactions and maintain up to date accounting records throughout the year, together with all necessary supporting information. The accounting statements in Section 2 of the Annual Governance and Accountability Return need to agree to the underlying records.
- 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](mailto:clerk@abpc.gov.uk) prior to the meeting.

Aldington and Bonnington Parish Council Statement of Internal Control for the year ended 31<sup>st</sup> March 2023.

**1. Scope of responsibility:**

Aldington and Bonnington Parish Council (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, efficiently and effectively. In discharging this overall responsibility, the Council is also 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.

**2. The purpose of the System of Internal Control:**

The system of internal control is designed to manage risk to 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 ongoing 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.

**3. The Internal Control Environment:**

**The Council:**

The Council has appointed a Chairman who is responsible for the smooth running of its meetings and for ensuring that all Council decisions are lawful. The Council reviews its obligations and objectives and budgets at the level of precept required for the following year at its December meeting. The Council monitors progress against its aims and objectives at its meetings by receiving relevant reports from the Parish Clerk. The Council regularly reviews its internal controls, systems and procedures.

**The Clerk/Responsible Financial Officer:**

The Council has appointed a Clerk of 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 the day-to-day compliance with laws and regulations that the Council is subject to and for managing risks. The Clerk also ensures that the Council's procedures, control systems and policies are adhered to.

**Payments:**

All payments are approved by Council. Two members of Council must sign every cheque.

**Risk assessments/risk management:**

Regular risk assessments are carried out in respect of activities and reviews of the system and controls. The asset register and inspection schedule are updated as required and reviewed regularly as required and reviewed and at least annually.

**Internal Audit:**

The Council has appointed an independent internal auditor who reports to the Council on the adequacy of its systems and procedures, internal controls and risk management and its reviews of these matters. The effectiveness of internal audit is reviewed annually.

**External Audit:**

The Council's External Auditors submits an annual Certificate of Audit which is presented to the Council.

**4. Review of effectiveness (see below)**

The Council has responsibility for conducting an annual review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of:

- The Council
- The Clerk/RFO who has responsibility for the design and maintenance of the internal control environment and managing risk
- The Independent Internal Auditor who reviews the Council's systems of internal control
- The Council's External Auditors who make the final check using the Annual Return, a form completed and signed by the RFO, the Chairman and Internal Auditor.

**5. Significant Internal Control issues:**

None.

## **Annual Review of effectiveness for 2022/2023**

1. We have put in place arrangements for the effective financial management during the year, and for the preparation of the accounting statements.
2. We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.
3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and proper practices that could have a significant financial effect on the ability of the council to conduct its business or on its finances.
4. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.
5. We carried out an assessment of the risks facing the council and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.
6. We maintained throughout the year an adequate and effective system of internal audit of the council's accounting records and control systems.
7. We took appropriate action on all matters raised in reports from internal and external audit.
8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the council and where appropriate have included them in the accounting statements.
9. Trust funds including charitable. In our capacity as the sole managing trustee, we discharged our accountability responsibilities for the funds(s) /assets, including financial reporting.



## Section 1 – Annual Governance Statement 2022/23

We acknowledge as the members of:

Aldington and Bonnington Parish Council

our responsibility for ensuring that there is a sound system of internal control, including arrangements for the preparation of the Accounting Statements. We confirm, to the best of our knowledge and belief, with respect to the Accounting Statements for the year ended 31 March 2023, that:

	Agreed		‘Yes’ means that this authority:
	Yes	No*	
1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.			<i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i>
2. We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.			<i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i>
3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.			<i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i>
4. We provided proper opportunity during the year for the exercise of electors’ rights in accordance with the requirements of the Accounts and Audit Regulations.			<i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority’s accounts.</i>
5. We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.			<i>considered and documented the financial and other risks it faces and dealt with them properly.</i>
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.			<i>arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.</i>
7. We took appropriate action on all matters raised in reports from internal and external audit.			<i>responded to matters brought to its attention by internal and external audit.</i>
8. 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 authority and, where appropriate, have included them in the accounting statements.			<i>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i>
9. (For local councils only) Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	Yes	No	N/A
			<i>has met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.</i>

**\*Please provide explanations to the external auditor on a separate sheet for each ‘No’ response and describe how the authority will address the weaknesses identified. These sheets must be published with the Annual Governance Statement.**

This Annual Governance Statement was approved at a meeting of the authority on:

DD/MM/YYYY

and recorded as minute reference:

MINUTE REFERENCE

Signed by the Chairman and Clerk of the meeting where approval was given:

Chairman

SIGNATURE REQUIRED

Clerk

SIGNATURE REQUIRED

www.abpc.org.uk

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