

MUCH HADHAM PARISH COUNCIL – REVIEW OF EFFECTIVENESS OF INTERNAL CONTROLS 2017/18 – MEETING 1 MAY 2018

This document provides the evidence base to enable the Parish Council to correctly determine whether it has had the proper controls in place for the financial year. The internal control elements have been extracted from the Annual Governance Statement, section 1 of the Annual Governance and Accountability Return (AGAR).

In determining the evidence in place for the internal control elements, the Practitioners’ Guide to Proper Practices, issued in March 2018 by the Joint Panel on Accountability & Governance, was followed.

	Internal control element	‘Yes’ means	PC answer	Evidence base
1	We have put in place arrangements for effective financial management during the year, and for the preparation of accounting statements.	Prepared its accounting statements in accordance with the Accounts and Audit Regulations	Yes	<p>The Parish Council approves its budget and determines the precept on an annual basis at the January meetings. For 2017/18, minute reference is 17/11(iv) but for during the year, for 2018/19, the minute reference is 18/10(iii).</p> <p>At each meeting, the Parish Council receives a financial statement which shows the up to date financial position and a comparison of spending against the budget set. If required, action is taken.</p> <p>The Parish Clerk is the Responsible Financial Officer. She has put in place effective systems of internal financial controls to ensure that all financial transactions are accurately and promptly recorded in the electronic cashbook. Cashbook entries are properly supported and are the basis of the financial monitoring during the year, and the production of the financial statements.</p> <p>Bank reconciliations are prepared promptly each month and at the 31st March. Cllr Mrs J Liversage has reviewed the reconciliations for September, March and the year end and found no issues. These reviews have been evidenced on the reconciliations.</p> <p>The Parish Council has no investments.</p> <p>As mentioned above, the financial statements are prepared from the cashbook. The audit trail from the cashbook to statements is clear and easy to follow. The additional supporting notes are evidence based. Clear links are provided on a copy of the summary receipts and payments account to the accounting statements in the AGAR.</p> <p>Internal Audit concluded that these controls were in place during their review for 2017/18.</p>

	Internal control element	'Yes' means	PC answer	Evidence base
2	We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	Made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.	Yes	<p>The Parish Council has up to date Standing Orders (SO's) and Financial Regulations (FR's) in place, approved 4 July 2017 (Minute 17/117) and 4 October 2016 (Minute item 13) respectively, and these are available on the Parish Council's website. There is no requirement to formally review SO's and FR's each year, providing no notifications have been received that necessitate this. During 2017/18, no notifications were received that required FR's to be formally reviewed. SO's and FR's have been adhered to. Note – regardless of any notification, these documents should be reviewed every 3 years.</p> <p>As highlighted in the previous section, the RFO has put in place effective systems of internal financial controls. Majority of financial transactions are by cheque, added to which, the majority of the income is directly credited to the bank account. A two-signatory system operates for signing cheques. There is no online banking, no credit or debit card and no petty cash.</p> <p>The Parish Clerk is the only employee and she is properly paid, and all other employment duties have been complied with.</p> <p>Arrangements for VAT are in place. VAT paid is only included in the reclaim if it is supported by a VAT invoice. An issue regarding VAT has been resolved after the year end, enabling the VAT reclaims for 2016/17 and 2017/18 to be submitted on 14 April 2018.</p> <p>The Parish Council has a fixed asset register, but the values thereon are currently those required for insurance purposes and not cost. The RFO is still seeking the correct financial information to record on the register. Assets are properly maintained, and the 2 largest assets are managed on the Parish Council's behalf by independent charities.</p> <p>The Parish Council has a PWLB loan that was arranged in May 2015, for 20 years. Borrowing approval was obtained at the time for this loan and the annual repayments are included in the precept.</p> <p>This document is the review of effectiveness of internal controls that is required. Internal Audit concluded that these controls were in place during their review for 2017/18.</p>

	Internal control element	'Yes' means	PC answer	Evidence base
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.	Has only done what it has the legal power to do and has complied with Proper Practices in doing so.	Yes	<p>The Parish Council is controlled by statute and can only make decisions if it has the power to do so. The powers available to a Parish Council are detailed in Appendix A.</p> <p>Decisions, including financial decisions, were made in accordance with a proper power to do so.</p> <p>It needs to be highlighted though, through the Parish Clerk's review of the bulletins received from the Herts Association of Town and Parish Councils (HAPTC), that it is questionable that the Parish Council had the power, under section 137, to make a grant to Much Hadham Parochial Church Council for its bells project. The decision to contribute was made at the 7 November 2017 meeting (Minute 17/174) and the grant to be £1,000 decided at the 4 December 2017 meeting (Minute 17/192). The legal briefing regarding financial assistance to the church was not issued until 31 January 2018. Following advice from HAPTC, it was reported to the 3 April 2018 meeting that the Parish Council had no powers to provide financial assistance to a church. As this has not been tested in the courts, the grant can be considered valid expenditure. However, it was noted that no such funding should be made in future (Minute 18/63).</p>
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.	During the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.	Yes	<p>This relates to 2016/17 financial year. The inspection period was the 5th June to the 14th July 2017 and this complied with the requirements of the Accounts and Audit Regulations 2015. In addition, in accordance with the Regulations, the approved draft annual return, subject to audit, was published on the 3rd May 2017.</p> <p>The conclusion of the audit was also properly notified, following the receipt of the audited annual return. The audited annual return was approved by the Parish Council at its meeting on the 5th September 2017, following which it was published in conjunction with the notice of the conclusion of the audit.</p>

	Internal control element	'Yes' means	PC answer	Evidence base
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.	Considered and documented the financial and other risks it faces and dealt with them properly.	Yes	Risks facing the Parish Council are assessed on an annual basis, and the assessment includes, for the risks identified, the controls in place to manage that risk or the action required to manage the risk. In effect, the risk assessment considered by the Parish Council at its meeting on the 7 th March 2017 relates to the current financial year of 2017/18. (Minute 17/42). To demonstrate that the risk assessment is an annual process, the revised risk register was approved by the Parish Council during 2017/18 at its meeting on the 6 th February 2018. (Minute 18/25)
6	We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	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.	Yes	The Parish Council's Internal Audit (IA) function is provided by Auditing Solutions Ltd. This company has been in existence since 2003 and uses qualified consultant staff to undertake internal audits. Given the size of the Parish Council, an annual IA review is undertaken which covers the whole financial year. The review undertaken during the year was on the 20 th April 2017, relating to the 2016/17 financial year, and the conclusion was that the Parish Council had maintained adequate and effective internal control arrangements. The review undertaken for 2017/18 was on the 10 th April 2018 and the conclusion was that the Parish Council had again maintained more than adequate and effective internal control arrangements. Full conclusions for both years referred to above are detailed at Appendix B.

	Internal control element	'Yes' means	PC answer	Evidence base
7	We took appropriate action on all matters raised in reports from internal and external audit.	Responded to matters brought to its attention by internal and external audit.	Yes	<p>Internal Audit (IA) The IA report for 2016/17 contained no recommendations therefore no action required. The IA report was considered at the 2nd May 2017 Parish Council meeting.</p> <p><u>Minute extract 17/78(iii)</u>: The Clerk reported that there were two versions of the Internal Audit report to note. Internal Audit completed page 5 of the Annual Return and provided a detailed report. Both reports reflect that the Parish Council has the expected controls in place and no recommendations have been made.</p> <p>External audit (EA) EA qualified the Parish Council's Annual Return for 2016/17 and made a recommendation in respect of this. The EA report was considered at the 5th September 2017 Parish Council meeting and the relevant minute extract is at Appendix C. The qualification related to the failure to comply with the inspection period requirements in 2015/16, for which the Annual Governance Statement in 2016/17 should have contained a 'no' answer but 'yes' was answered instead. No action was required as the correct process was followed for the 2016/17 accounts. See point 4 above.</p>
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 authority and, where appropriate, have included them in the accounting statements.	Disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.	Yes	The Parish Council has disclosed everything it is required to do so in its financial statements. There have been no events taking place after the year end which impact on the financial position reported in the financial statements.

	Internal control element	'Yes' means	PC answer	Evidence base
9	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.	Has met all of its responsibilities where it is a sole managing trustee of a local trust or trust.	Not applicable	Not applicable

WHAT CAN LOCAL COUNCIL'S DO?

Function	Powers & Duties	Statutory Provisions
Allotments	Powers to provide allotments. Duty to provide allotment gardens if demand unsatisfied and if reasonable to do so	Small Holding & Allotments Act 1908, s.23
Borrowing money	Power for councils to borrow money for their statutory functions or for the prudent management of their financial affairs	Local Government Act 2003, Schedule 1, para. 2
Baths (public)	Power to provide public swimming baths	Public Health Act 1936, s.221
Burial grounds, cemeteries and crematoria	Power to acquire and maintain Power to provide Power to contribute towards expenses of cemeteries	Open Spaces Act 1906, Sections 9 and 10 Local Government Act 1972, s.214 Local Government Act 1972, s.214 (6)
Bus Shelters	Power to provide and maintain shelters	Local Government (Miscellaneous Provision) Act 1953, s.4
Byelaws	Power to make byelaws for: Places of public recreation Cycle parks Public swimming baths Open spaces and burial grounds Mortuaries and post-mortem rooms	Public Health Act 1875, s.164 Road Traffic Regulation Act 1984, s.57(7) Public Health Act 1936, s.223 Open Spaces Act 1906, s.15 Public Health Act 1936, s.198
Charities	Duties in respect of parochial charities Power to act as charity trustees	Charities Act 2011, ss.298-303 Local Government Act 1972, s.139 (1)
Clocks	Power to provide public clocks	Parish Councils Act 1957, s.2
Closed Churchyards	Powers to maintain	Local Government Act 1972, s.215
Commons and common pastures	Powers in relation to Inclosure, regulation, management and provision of common pasture	Inclosure Act 1845; Small Holdings and Allotments Act 1908, s.34
Conference facilities	Power to provide and encourage the use of facilities	Local Government Act 1972, s.144

Function	Powers & Duties	Statutory Provisions
Community centres	Power to provide and equip buildings for use of clubs having athletic, social or educational objectives Power to acquire, provide and furnish community buildings for public meetings and assemblies	Local Government (Miscellaneous Provisions) Act 1976 s.19 Local Government Act 1972, s.133
Crime prevention	Power to spend money on crime detection and prevention measures	Local Government and Rating Act 1997, s.31
Ditches and ponds	Power to drain and maintain ponds and ditches to prevent harm to public health	Public Health Act 1936, s.260
Entertainment and the arts	Provision of entertainment and support of the arts	Local Government Act 1972, s.145
Environment	Power to issue fixed penalty notices for litter, graffiti and offences under dog control orders	Clean Neighbourhoods and Environment Act 2005, s.19, s.30, Part 6
General Power of Competence	Power for an eligible council to do anything subject to statutory prohibitions, restrictions and limitations which include those in place before or after the introduction of the general Power of competence	Localism Act 2011, ss.1-8
Gifts	Power to accept	Local Government Act 1972, s.139
Highways	Power to repair and maintain public footpaths and bridle-ways. Power to light roads and public places Power to provide parking places for vehicles, bicycles and motor-cycles. Power to enter into agreement as to dedication and widening. Power to provide roadside seats and shelters. Power to consent to a local highway authority stopping maintenance of a highway or stopping up/ diverting a highway Power to complain to district council about the protection of rights of way and roadside waste Power to provide certain traffic signs and other notices Power to plant trees and shrubs and to maintain roadside verges	Highways Act 1980, ss.43, 50 Parish Councils Act 1957, s.3; Highways Act 1980, s.301 Road Traffic Regulation Act 1984, ss.57, 63 Highways Act 1980, ss.30, 72 Parish Councils Act 1957, s.1 Highways Act 1980, ss.47, 116 Highways Act 1980, s.130 Road Traffic Regulation Act 1984, s.72 Highways Act 1980, s.96

Function	Powers & Duties	Statutory Provisions
Honorary titles	Power to admit to be honorary freemen/ freewomen of the council's area persons of distinction and persons who have, in the opinion of the authority, rendered eminent services to that place or area.	Local Government Act 1972, s.249
Investments	Power to participate in schemes of collective investment	Trustee Investments Act 1961, s.11
Land	Power to acquire by agreement, to appropriate, to dispose of Power to accept gifts of land	Local Government Act 1972, ss.124, 126, 127 Local government Act 1972, s.139
Litter	Provision of bins	Litter Act 1983, ss.5, 6
Lotteries	Powers to promote	Gambling Act 2005, s.252, 258
Markets	Power to establish or acquire by agreement markets within the council's area and provide a market place and market buildings	Food Act 1984, s.50
Mortuaries and post-mortem rooms	Powers to provide mortuaries and post-mortem rooms	Public Health Act 1936, s.198
Neighbourhood planning	Powers to act as lead body for a neighbourhood development plan or a neighbourhood development order.	Localism Act 2011, Schedule 9; Town and Country Planning Act 1990, ss.61E- 61Q, Schedule 4B; Planning and Compulsory Purchase Act 2004, s.38A
Newsletters	Power to provide information relating to matters affecting local government	Local Government Act 1972, s.142
Nuisances	Power to deal with offensive ditches	Public Health Act 1936, s.260
Open spaces	Power to acquire and maintain land for public recreation Power to acquire and maintain land for open spaces	Public health Act 1875, s.164 Open Spaces Act 1906, ss.9 and 10
Parish Property and documents	Powers to receive and retain Duty to deposit certain published works in specific deposit libraries	Local Government Act 1972, s.226 Legal Deposit Libraries Act 2003, s.1
Public buildings and village hall	Power to acquire and provide buildings for public meetings and assemblies	Local Government Act 1972, s.133
Public Conveniences	Power to provide	Public Health Act 1936, s.87

Function	Powers & Duties	Statutory Provisions
Recreation	Power to provide a wide range of recreational facilities Provision of boating pools	Local Government (Miscellaneous Provisions) Act 1976, s.19 Public Health Act 1961, s.54
Right to challenge services that are provided by a principal authority	The right to submit an interest in running a service provided by a district, county or unitary authority.	Localism Act 2011, ss.81-86
Right to nominate and bid for assets of community value	The right to nominate assets to be added to a list of assets of community value and the right to bid to buy a listed asset when it comes up for sale	Localism Act 2011, ss.87-108
Town and Country Planning	Right to be notified of planning applications if right has been requested	Town and Country Planning Act 1990, Sched.1, para.8
Tourism	Power to encourage tourism to the council's area	Local Government Act 1972, s.144
Traffic Calming	Powers to contribute financially to traffic calming schemes	Local Government and Rating Act 1997, s.30
Transport	Powers to spend money on community transport schemes	Local Government and Rating Act 1997, s.26-29
War memorials	Power to maintain, repairs, protect and adapt war memorials	War Memorials (Local Authorities' Powers) Act 1923, s.1
Water	Power to utilise wells, springs or streams for obtaining water	Public Health Act 1936, s.125
Websites	Power for councils to have their own websites	Local Government Act 1972, s.142

Source: NALC's "The good councillor's guide" 2013 & caveat is "no list can be totally comprehensive"

INTERNAL AUDIT CONCLUSIONS (Point 6 refers)

The review undertaken **during** the year was on the 20th April 2017, relating to the 2016/17 financial year, and the conclusion was:

“We have concluded that, on the basis of the programme of work undertaken during our visit, the Council has maintained adequate and effective internal control arrangements. We are pleased to acknowledge the quality of records maintained by the new Clerk and thank her for her assistance, which has ensured the smooth progress of our review process.

We have completed and signed the ‘Internal Audit Report’ in the year’s Annual Return, having concluded that, in all significant respects, the control objectives set out in that Report were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.”

The review undertaken **for 2017/18** was on the 10th April 2018 and the conclusion was:

“We have concluded that, based on the satisfactory completion of our programme of work undertaken during our visit, the Council has again maintained more than adequate and effective internal control arrangements. We are pleased to acknowledge the continued quality of records maintained by the Clerk and thank her for her assistance, which has ensured the smooth progress of our review process. We are pleased to report that there are no issues arising this year warranting formal comment or recommendation.

We have completed and signed the ‘Internal Audit Report’ having concluded that, in all significant respects, the control objectives set out in that Report were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.”

EXTERNAL AUDIT (Point 7 refers)

The external audit report was considered at the 5th September 2017 Parish Council meeting.

Minute extract 17/147(iii)

The Clerk reported that the external audit had been completed in August and the Parish Council's Annual Return had been qualified. For the 2015/16 accounts, the process for the inspection period had not been followed as the period started before the Annual Return had been signed. In 2016/17, on the Annual Governance Statement, the question in relation to the inspection period should have been answered 'no' as a consequence of this as it related to 'in year' as opposed to 'for the year'. This was challenged with the external auditor since only an element of the process was not followed for the 2015/16 accounts but the qualification was automatically applied. This qualification will not be repeated as the correct process for the inspection period was followed for the 2016/17 accounts.