

Appendix 2

CHIGWELL PARISH COUNCIL STATEMENT OF INTERNAL CONTROL

FOR THE YEAR ENDING 31st MARCH 2022

1. SCOPE OF RESPONSIBILITY

Chigwell Parish Council (like all parish councils) forms the first tier of local government and 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. Much of the law to which Parish councils are subject may seem pedantic at the parish level and can be onerous, but it is nevertheless essential for Parish councils to adhere to it.

In discharging this overall responsibility, Chigwell Parish Council (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.

The system of internal control has been in place at the Council for the year ended 31st March 2021 and up to the date of approval of the annual report and accounts.

3. THE INTERNAL CONTROL ENVIRONMENT

The Council:

The Council has appointed a Chairperson who is responsible for the smooth running of meetings and for ensuring that all Council decisions are lawful.

The Council reviews its obligations and objectives and approves budgets for the following year. The Council approves the level of precept for the following financial year.

The Council has appointed a Finance & Governance Committee, that meets regularly during the municipal year. Members of this committee monitor progress against objectives, financial systems and procedures, budgetary control and carry out regular reviews of financial matters. The minutes of the committee meetings are published and all Members of this committee are Members of the council.

The council receives relevant and regular reports from the Chairperson of the Finance & Governance committee. The Council carries out regular reviews of its internal controls, systems and procedures.

Clerk to the Council / Responsible Financial Officer:

The Council has appointed a Clerk to the Council/who acts as the Council's advisor and is responsible for the administration of the council's monetary affairs. 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 facilitates advice to assist the Council in ensuring the adopted procedures, policies and control systems are applied.

Payments:

A '*List of payments/Incomes/Account Balances*' is received by the council and/or by the Finance & Governance committee, for their approval. at meetings.

A minimum of two Members of the council must authorise every payment to be made at either a meeting of the council or the Finance & Governance committee.

Reconciliation of Parish Council Bank Accounts with the Accounts Package:

Two Members of the council are required to Propose and Second that the reconciliation of the Bank Accounts with the Finance Accounts has been examined, checked and signed as being correct.

Confirmation of Staff Salary Payments

Each calendar month two Councillors examine, check and sign accordingly, that the Staff salary payments are correct.

Risk Assessments / Risk Management:

The Council has adopted a Risk Management policy which was reviewed by the Finance & Governance committee at the meeting held on 23rd November 2021.

Internal Audit:

The Council has appointed an Independent Internal Auditor who reports to the Council on the adequacy of its:

- Records
- Procedures
- Systems
- Internal control
- Regulations
- Risk management
- Reviews

The effectiveness of the Internal audit is reviewed annually.

External Audit:

The External Auditors for the council, submit an annual Certificate of Audit, which is received by the Council, each municipal year.

4. REVIEW OF EFFECTIVENESS

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:

- Council;
- Finance & Governance Committee;
- Clerk to the Council/Responsible Financial Officer who has responsibility for the development and maintenance of the internal control environment and managing risks;
- the independent Internal Auditor who reviews the system of internal control, of the council;
- the Council's external auditors, who make the final check using the Annual Return, a form completed and signed by the Clerk/Responsible Financial Officer, Chairman and the Internal Auditor. The external auditors issue an annual audit certificate;
- the number of significant issues that are raised during the year.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

Several recommendations were raised by the Interim Internal Audit report.

These include:

- R1** Officers should contact Scribe and seek an explanation for the apparent difference relating to the unrepresented cheques.
- R2** Officers should obtain a closing statement on the HSBC account which was closed and confirm the funds were fully transferred to other Chigwell PC accounts.
- R3** Bank reconciliations must urgently be brought up to date. Members should ensure there is sufficient officer capacity for this to be done by the financial year end. Review of Expenditure
- R4** All individual invoices should be subjected to independent member scrutiny and evidenced sign-off.
- R5** VAT should be recovered. Assessment and Management of Risk
- R6** Fidelity guarantee insurance should be increased in line with balances held. Review of Income
- R7** The Burial register must be brought up to date. Petty Cash Account
- R8** Petty cash records should be up-dated in Scribe. Review of Staff Salaries
- R9** Staff contracts should be put in place for all staff

Several recommendations were raised for the first time within the most recent internal audits, which have subsequently been applied.

(Chairperson)

(Responsible Financial Officer)

(Date)