



SEAMER PARISH COUNCIL

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Clerk and Responsible Financial Officer

Proper Officer

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Report of the Clerk to the Chairman and Members of the Council

REVIEW OF EFFECTIVENESS OF SYSTEM OF INTERNAL CONTROL

1 PURPOSE

- (a) This report is intended to inform and support the Council's annual financial year review of its system of internal control.

2 RECOMMENDATIONS

- (a) To note the statutory proper practices relating to internal control, issued by the Joint Panel on Accountability & Governance within the Practitioners' Guide of March 2024 [4(a) & Appendix].
- (b) To note the Council's existing system of internal control [4(b)].
- (c) To consider the Council's system of internal control to be effective.

3 CONCLUSIONS

- (a) The Council is required to review its system of internal control within each financial year, informing its response in the second assertion of the annual governance statement, within the Annual Governance and Accountability Return.
- (b) The Council is audited in this respect against the statutory proper practices and supporting information for officers, issued by the Joint Panel on Accountability and Governance within the current Practitioners' Guide.
- (c) The Council's system of internal control is effective.

4 CONSIDERATIONS

(a) Statutory proper practices relating to internal control

- (i) The Accounts and Audit Regulations 2015 require the Council to conduct a review of the effectiveness of its system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts.
- (ii) The statutory proper practices are issued by the Joint Panel on Accountability and Governance within a Practitioners' Guide. Those relating to internal control, paragraphs 1.14 - 1.20, pages 9 - 11 of the guide are appended to this report. Additional supporting information for officers is contained in paragraphs 5.40 - 5.70, pages 39 - 42.

(b) Existing system of internal control

- (i) Further to Standing Order 18.a. & b, minute 98(c) of 10 September 2024 and item 11(d) of the agenda for the 14 January 2025 meeting, the Council's Financial Regulations are based on the National Association of Local Council (NALC)'s current model, adapted for the circumstances of the Council and reviewed at least annually by the Council.
- (ii) Under Financial Regulations 6.1, 7.1. & 7.2. and further to minute 22(a)(i) of 14 May 2024, Councillors Milner, Wallis and White remain the signatories approved by the Council on the bank mandate to approve transactions, along with the clerk for inputting purposes only.
- (iii) Under Financial Regulations 6.5. & 6.6. and further to the monthly schedules of accounts for payment and income received approved by the Council, almost all income and all expenditure transactions are managed through online banking transfer.
- (iv) Further to the monthly schedules of accounts for payment and income received approved by the Council, credit notes and refunds are recorded as separate transactions within the relevant budget line.

- (v) Further to minutes 67(b)(i) of 9 July 2024 & 143(xii) of 12 November 2024 and item 11(e) of the agenda for the 14 January 2025 meeting, the Asset Register and Asset Register & Disposal Policy are approved, reviewed at least annually and updated by the Council.
- (vi) Further to minute 45(d)(ii) of 11 June 2024, the Risk Assessment and Management incorporating Health & Safety Policy and Procedure is approved and reviewed at least annually by the Council including: data protection & business continuity; land, property & equipment, and financial, employment and decision-making risks.
- (vii) Further to minutes 45 of 11 June 2024, 87 of 13 August 2024 and 106 of 10 September 2024, and under Standing Orders 5.k & m:
 - (1) the employment policies & procedures and insurance cover are approved and reviewed annually by the Council, including appropriate levels of employer liability and officer & trustee indemnity (fidelity) insurance.
 - (2) the Council is registered with HMRC, has Employer PAYE & Accounts Office reference numbers, and uses HMRC Basic PAYE Tools for calculating & reporting.
 - (3) the Council is compliant with The Pension Regulator.
- (viii) The Council is not VAT registered but is exempt from VAT as a local authority, has a VAT unique reference number and reclaims VAT annually on the VAT 126 form.
- (ix) Under Financial Regulation 2.6 and further to minutes 22(a)(ii) & 32(b)(i) of 14 May 2024, 85(ii)(1) of 13 August 2024 and 160(a)(ii)(1) of the last meeting, Councillors Stockdale and Coulson, respectively, verified reconciliations of the Council's bank account with a copy of the cash book and original bank statements, confirming no anomalies:
 - (1) to 31 March 2024 on 14 April 2024.
 - (2) to 31 July 2024 on 13 August 2024.
 - (3) to 30 November 2024 on 10 December 2024.
- (x) Under Financial Regulation 2.7, and further to minutes 11(a) & (e) of 9 April 2024, 85 of 13 August 2024, 104(b) of 10 September 2024 & 160(a) of the last meeting and item 11(b) of the agenda for the 14 January 2025 meeting, the Council regularly reviews its budget and commitments, and minutes its approval of virements and the earmarking of reserves within revised budgets for the current financial year.
- (xi) Further to minutes 32(c) of 14 May 2024, 49(b) of 11 June 2024 and 104(a) of 10 September 2024, the Council gave serious consideration to the Internal Auditor's recommendations and raised significant anomalies with the External Auditor, which did not support the Internal Auditor's opinions, and received a satisfactory External Auditor Report & Certificate with an accepted area for learning and improvement, for the previous financial year 2023/24.
- (xii) Quotations are being sought for the Council to consider appointing an Internal Auditor for the current financial year 2024/25 at the February meeting.
- (xiii) Further to minutes 116(d) of 11 October 2022 and 155(e) of 13 December 2022, the Council continues to opt in to the Smaller Authorities' Audit Appointments Limited central external auditor appointment arrangements for smaller authorities.



Andy Jennings
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Proper Officer
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Section 1: Proper Practices – Annual Governance Statement

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

- 1.14. Standing Orders and Financial Regulations: The authority needs to have in place standing orders and financial regulations governing how it operates. Financial regulations need to incorporate provisions for securing competition and regulating the way tenders are invited. These need to be regularly reviewed, fit for purpose, and adhered to.
- 1.15. Safe and Efficient Arrangements to Safeguard Public Money: Practical and resilient arrangements need to exist covering how the authority orders goods and services, incurs liabilities, manages debtors, makes payments, and handles receipts. Authorities need to have in place safe and efficient arrangements to safeguard public money. Where doubt exists over what constitutes money, the presumption is that it falls within the scope of this guidance.
 - 1.15.1. Authorities need to regularly review the effectiveness of their arrangements to protect money. Every authority needs to arrange for the proper administration of its financial affairs & ensure that one of its officers (the RFO) has formal responsibility for those affairs [and has determined a system of financial controls & discharged their duties (Paragraph 1.9, Practitioners' Guide)].
 - 1.15.2. Authorities need to ensure controls over money are embedded in Standing Orders and Financial Regulations. Section 150(5) of the Local Government Act 1972 required cheques or orders for payment to be signed by two elected members. Whilst this requirement has now been repealed, the 'two-member signatures' control needs to remain in place until such time as the authority has put in place safe and efficient arrangements in accordance with paragraphs 1.15.3 to 1.15.6 of this guide.
 - 1.15.3. Authorities need to approve the setting up of, and any changes to, accounts with banks or other financial institutions. Authorities also need to approve any decisions to enter 'pooling' or 'sweep' arrangements whereby the bank periodically aggregates the authority's various balances via automatic transfers.
 - 1.15.4. If held, corporate credit card accounts need to have defined limits and be cleared monthly by direct debit from the main bank account. Credit card balances are not acceptable reconciling items for bank reconciliation purposes.
 - 1.15.5. The authority needs to approve every bank mandate, the list of authorised signatures for each account, the limits of authority for each account signature and any amendments to mandates.
 - 1.15.6. Risk assessment and internal controls need to focus on the safety of the authority's assets, particularly money. Those with direct responsibility for money need to undertake appropriate training from time to time.
- 1.16. Employment: The remuneration payable to all employees needs to be approved in advance by the authority. In addition to having robust payroll arrangements which cover the accuracy and legitimacy of payments of salaries and wages, and associated liabilities, the authority needs to ensure that it has complied with its duties under employment legislation and has met its pension obligations.
- 1.17. VAT: The authority needs to have robust arrangements in place for handling its responsibilities regarding VAT.
- 1.18. Fixed Assets and Equipment: The authority's assets need to be secured, properly maintained, and efficiently managed. Appropriate procedures need to be followed for any asset disposal and for the use of any resulting capital receipt.
- 1.19. Loans and long-term liabilities: Authorities need to ensure that any loan or similar commitment is only entered into after the authority is satisfied that it can be afforded and that relevant approvals have been obtained. Proper arrangements need to be in place to ensure that funds are available to make repayments of capital and any associated interest and other liabilities.
- 1.20. Review of effectiveness: Regulation 6 of the Accounts and Audit Regulations 2015 requires the authority to conduct a financial year review of the effectiveness of the system of internal control. The review needs to inform the authority's preparation of its annual governance statement.