PENHOW COMMUNITY COUNCIL

STATEMENT OF INTERNAL CONTROL AND ANNUAL REVIEW OF EFFECTIVENESS OF INTERNAL CONTROL

STATUTE – ACCOUNTS AND AUDIT (WALES) Regulations 2014 (as amended).

1. OVERVIEW

Regulation 7 of the Accounts and Audit (Wales) Regulations 2014 (as amended) require councils to carry out an annual review of the effectiveness of their system of internal control. Internal audit is part of the system of internal control.

Local councils are required to conduct, at least once a year, in accordance with proper practices, a review of the effectiveness of its system of internal control.

In order for Penhow Community Council to review the effectiveness of the Internal Control System there needs to be clarity on the internal controls in place. Some internal controls are listed in the Financial Regulations document but the system of controls goes beyond this. A Statement of internal Controls has been prepared and is appended to this report.

The review should focus on the internal audit standards identified. These will include principally a consideration of the extent to which internal audit adds value and how well it is helping the delivery of the Council's objectives.

IAC Audit and Consultancy Ltd, the Council's internal auditors for 2025-2026.

2. RECOMMENDATION

That Penhow Community Council give consideration to the attached Statement of Internal Controls at the AM 06.05.26 and are recommended that the controls currently in place were effective.

STATEMENT OF INTERNAL CONTROL

Cash Book/Bank Reconciliations	The Cash Book is kept up-to-date from original documents. The Cash Book is reconciled to the bank statement on a monthly basis. Bank reconciliations are checked quarterly by an independent member.
Financial Regulations	A document listing the Community Council's financial regulations, based on the model version prepared by NALC is maintained. The regulations are reviewed for continued relevance and amended where necessary by the Clerk/Responsible Financial Officer (RFO) with any proposed amendments subject to approval by the Council.
Legal Powers	A proper legal power is identified in advance of any expenditure.
Payment Controls	A Schedule of Payments is presented to every ordinary meeting of the Council for approval (such approval is recorded in the Minutes). All payments are checked by the RFO and are authorised by two authorised signatories Original invoices are provided to the Council.
S137	A separate s 137 account is maintained (within the electronic cash book)
VAT Repayment Claims	The RFO ensures that proper VAT invoices are received where VAT is payable. The RFO maintains a VAT account to show that the correct amount of VAT is reclaimed in the year.
Income Control	The RFO ensures that the amount of Precept received is correct in accordance with the Precept request submitted to Newport City Council. The RFO ensures that the Precept instalments are received when due. The RFO ensures that all other receipts are received when due and correctly calculated.
Financial Reporting	The annual budget and spend to date are presented at an Ordinary Meeting quarterly.

Budgetary Controls	The budget is prepared in consultation with the Council. The Precept is set on the basis of the budget by the deadline set by Newport City Council.
Payroll Controls	Council's External Payroll – DM Payroll carries out all Council's Payroll requirements including HMRC, Pensions, Auto Enrolment, etc. All staff are paid under PAYE. Salaries are paid by Bank payment; all payments are approved by Council/two authorised signatories on banking.
Asset Control	The RFO maintains a full Asset Register. The existence and condition of assets is checked on an annual basis. The adequacy of insurance of the Town Council's assets is considered annually in advance of the insurance renewal, including Fidelity Insurance.