

## Section 1 – Annual Governance Statement 2020/21

We acknowledge as the members of:

Street 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 2021, 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
			<input checked="" type="checkbox"/>
			<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/YY

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

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FOR PUBLICLY AVAILABLE WEBSITE/WEBPAGE ADDRESS

## ANNUAL AUDIT PLAN 2020/2021

Pro Business Ltd. have been appointed by the Council to carry out the internal audit of accounts for the year ended 31st March, 2021. The company has given an objective view on whether the financial controls and procedures meet the needs of the Council - see page 5 - Annual internal audit report of the Annual Return and separate letter attached dated 29<sup>th</sup> April 2021.

The Council is asked to review the impact of this work by considering the report set out below. The 2011 Accounts and Audit Regulations no longer require an annual review of effectiveness of the system of internal audit. However the internal audit requirements continue and internal controls are to be reviewed.

The role of the internal auditor is to review systems rather than undertaking detailed checks that are more appropriately the responsibility of management. The auditor assists the Council in fulfilling its responsibility for the prevention and detection of fraud or error. The auditor should be aware of risk management issues and understand the accountancy requirements of the legal framework and powers of local councils. The auditor reports to council on the adequacy of systems of control having carried out tests on the systems of the council. Minutes are checked for any suggestion of unusual activity and evidence that risks are being identified and managed.

### REVIEW OF ADEQUACY OF INTERNAL AUDIT AND CONTROL

Consideration to be given to the extent of compliance with proper practice.

Expected Standard	Evidence of Achievement	Areas for Development
A. Scope of internal audit	Terms of reference were approved by council on 27th April, 2021. Scope of audit work takes into account risk management processes and wider internal control Terms of reference define audit responsibilities in relation to fraud	None

B. Independence	Internal Auditor has direct access to those charged with governance (see financial regulation 4.4) Reports are made in own name to management and Probusiness is not connected to the Council in any way other than carrying out the internal audit once a year and carrying out the payroll service as a completely separate service. Probusiness does not assist the Council in the preparation of the Annual Return. Auditor does not have any other role within the Council.	None  Internal auditor has no access to payroll operations. In annual letter agreeing to charges stress that payroll must remain completely separate to Internal auditor
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Probusiness Ltd. has again stated that the two operations were completely separated.

C. Competence	No evidence that internal audit work has not been carried out ethically, with integrity and objectivity.	None Probus has done audit for Street, Wells and Glastonbury for some years and has training as necessary from SALC. Probusiness is a firm of chartered accountants.
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D. Relationships	Responsible officer - Clerk/RFO is consulted on the internal audit plan and on the scope of each audit. (Evidence is on audit files). Responsibilities for officers and internal audit are defined in relation to internal control, risk management and fraud and corruption matters. The responsibilities of council members are understood; training of members is carried out as necessary. (See member training plan).	None  Clerk and Council will be consulted on all docs. and can refer to the Internal Auditor as necessary. Clerk went to SALC
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workshop on accounting and audit on 10th April, 2008. Revised Governance and Accountability in Local Councils 2008 and 2011 Accounts and Audit Regulations were noted by Clerk and Council and it was agreed to report on detailed income and expenditure by account including budget variance on a monthly basis to Council rather than quarterly to the Policy and Finance Committee. The Clerk attended a workshop in January, 2009 at the District Council offices on financial management and a finance and audit update session by SALC on 30th March, 2012. The latest version of Governance and Accountability for Smaller Authorities in England March 2020, will be noted by the Clerk and any changes necessary reported to the Committee.

E. Audit Planning and reporting	The Audit Plan properly takes account of corporate risk. The Plan has been approved by the Council on 4 <sup>th</sup> May 2021. Internal audit has reported in accordance with Plan on 4th May, 2021.	None
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#### REVIEW OF INTERNAL AUDIT AND CONTROL

Consideration was given to the delivery of the internal audit service to the required standard in order to produce the required outcome i.e. assurance on internal control and the management of risks in the body that can be relied on.

Characteristics of Adequacy	Evidence of Achievement	Areas for development
A. Internal audit work is planned	Planned internal audit work is based on risk assessment and designed to meet the Council's governance assurance needs.	None An annual internal audit is considered appropriate

for the size, budget and activities of the Council. The matter was reviewed on 5th February 2019 and it was agreed to continue with an annual internal audit after the year end.

B. Understanding the whole organisation its needs and objectives	The annual Audit Plan demonstrates how audit work will provide assurance in relation to the Council's annual governance statement.	None Probus has some years experience of local council audit
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and has received training from SALC. It has also referred to the revised Governance and Accountability in Local Councils 2008 and to Governance and Accountability for Smaller Authorities in England March 2020 and will refer to the updated version.

C. Be seen as a catalyst for change	Supportive role of audit for corporate developments such as corporate governance review, risk management and ethics.	None
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D. Add value and assist the organisation in achieving its objectives	Demonstrated through positive management responses to recommendations and follow up action where called for.	None
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It was felt that the Council was constantly reviewing risk management effectively as demonstrated by detailed reports concerning the skate park, Parish Rooms, Merriman Park etc. which have been considered and agreed, including risk assessments.

Recommendations of the Internal Auditor are reported to Council and actions agreed promptly. As recommended by Somerset Association of Local Councils a diary and checklist is kept of financial operations including verification and signing of cheques, and checking bank statements against bank reconciliation.

E. Be forward looking	When identifying risks and in formulating the annual Audit Plan, changes on national agenda are considered. Internal audit maintains awareness of new developments in the services, risk management and corporate governance.	None
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Governance and Accountability in Local Councils 2008 and 2011 and March 2020 and Accounts and Audit Regulations taken into consideration.

F. Be challenging	Internal audit focuses on risks and encourages managers/members to develop their own responses to risks, rather than relying solely on audit recommendations. The aim of this is to encourage greater ownership of the control environment.	None
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Procedure for new projects already agreed including consideration of risks, costs etc.  
- risk assessments made for skate park and Parish Rooms and other assets/activities.

G. Ensure the right resources are available	Adequate resource is made available for internal audit to complete its work. Internal auditor understands the Council and the legal and corporate framework in which it operates.	None
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The Internal Auditor comes to the Council office for the annual audit and has access to all accounting information. The Clerk is available to answer any questions. All members of the Council were invited to meet Mr. Bacon this year to speak to him about the work involved in the internal audit.

No significant weaknesses have been identified in consideration of the statement of assurance.

Areas for development or change identified are set out in the Action Plan below together with proposed remedial actions, those responsible for delivering them and deadlines for completion of actions.

#### ACTION PLAN

No points were recommended by the Internal Auditor -  
See letter dated

Having reviewed the adequacy of internal audit and control, it is considered that the internal audit system is satisfactory.

STREET PARISH COUNCIL  
STATEMENT OF INTERNAL CONTROL  
FOR THE YEAR ENDING 31ST MARCH 2021

1. SCOPE OF RESPONSIBILITY

Street 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 on going 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 Chair 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 November - January 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 the Council must sign every cheque and direct debit instruction. One of two authorised members must give a second payment authorisation for Bankline payments.

A separate debit card current account only holding £2,000 maximum has been opened with 2 debit cards which Councillors Daniells or Mogg in liaison with the Clerk, Assistant Clerk or Assistant Clerk and Projects Officer will use for agreed goods/services. The payments will be scrutinised closely by the two authorised members via Bankline – currently Councillors Daniells and Mogg and by the two appointed members carrying out the bi monthly check on all accounts – currently Councillors Carswell and Prior.

#### Risk Assessments/Risk Management

The Council carries out regular risk assessments in respect of its activities and regularly reviews its system and controls.

#### 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 submit an annual Certificate of Audit which is presented to the Council.

### 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

- \* 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 Chair and Internal Auditor.

## 5. SIGNIFICANT INTERNAL CONTROL ISSUES

No significant internal control issues were identified during the 2020/21 financial year. On 19<sup>th</sup> May 2020 the Council agreed -

In light of the coronavirus (Covid-19) pandemic and any other future emergency and government advice this council resolves that:

- (a) Should the council be unable to meet for whatever reason, the Clerk be given delegated authority to progress all ongoing matters and projects and authorise all regular payments and incur expenditure in line with the council's agreed budget
- (b) Any decisions taken under resolution (a) above will be taken, whenever possible, in consultation with the Chair and Vice Chair of Council and the relevant committee chair (if appropriate). A record of all decisions and expenditure incurred under delegated authority will be kept and reported to members when the council next meets
- (c) The authority to decide the council's response to planning applications be delegated to the Clerk or Assistant Clerk, in consultation with the Chair of the Planning Committee and Chair and Vice Chair of Council. Whenever possible, members of the Planning Committee (or Council in the case of large applications) will be informed of applications out for consultation and will be invited to submit comments to the Clerk or Assistant Clerk
- (d) The provisions outlined in resolutions (a) to (c) above will override any requirements to the contrary in the Council's standing orders, financial regulations or terms of reference
- (e) In the interest of staff, volunteer and public safety the Council office will be closed to the public, except by appointment, whenever government advice deems this to be appropriate
- (f) In line with government advice, staff will be encouraged to work from home
- (g) Should the Clerk be unable to perform her duties, the Assistant Clerk or Chair or Vice Chair of Council or if they are unavailable, another councillor will assume the role of Proper Officer and RFO, in an unpaid capacity with the exception of the Assistant Clerk

(h) The Clerk, in consultation with the Chair and Vice Chair, may incur expenditure from the project earmarked reserve where such expenditure will help the community's efforts to support those in need of assistance or prevent social isolation

(i) Should government allow councils to meet virtually (online), the Council will take all reasonable steps to facilitate this

A. Funding to support the community should be made through recognised organisations only such as the Foodbank, Salvation Army and Bridging the Gap and anyone asking for assistance should be referred to an appropriate organisation

B. An email to be sent to the Community Centre and other organisations making it clear that funds were available to them and that if they applied to the Council they would be supported very quickly

C. Positive community news to be posted once a week on the website, Facebook etc.

Whilst no significant Internal Control issues were identified during the year, the Council strives for the continuous improvement of the system it has designed for internal control and has addressed all of the minor issues and weaknesses raised and reported during the review process.

Chair

Clerk of the Council

## STREET PARISH COUNCIL INTERNAL CONTROL PROCEDURES

Schedule of specific day to day procedures undertaken by the Clerk/RFO to implement the system of internal controls and facilitate the efficient exercise of the Council's functions, including arrangements for the management of risk.

### FINANCIAL SYSTEM

The following measures are taken to ensure that the Council is managed in accordance with proper standards of financial conduct and to prevent and detect fraud and corruption. While the coronavirus emergency continues see the decision detailed above.

Enter income and payments on the schedule to be approved at the next monthly meeting of the Council after checking that the correct amounts have been received or charged and that the service or goods have been given or received. The schedule is initialled by the Chair when it has been approved by the Council and is annexed to the minutes in order to publish all payments.

Enter income and payments on the computerised accounting system. All income is paid into the current account with Nat West within 1 or 2 days of receipt. Income payments are often made by automatic credit. Payments are paid promptly by cheque signed by 2 authorised members or by direct debit if agreed by the Council – recorded with an individual number – when the authority to spend and sum have been checked. The majority of payments are now made by Bankline with Nat West. Payments are set up by the Clerk/RFO or the Assistant Clerk and Projects Officer and then one of two authorised members must give a second authorisation for each payment. Members and Clerk verify cheques against invoices, initialling the cheque book stub and invoice. The Clerk writes the cheque or direct debit no. and the date of the authorising meeting on each invoice. Some payments are made by Councillors Daniells or Mogg in liaison with the Clerk, Assistant Clerk or ACPO using debit cards for the separate current account only holding £2,000 maximum. These payments will be reported to Council each month under a separate heading and will be closely scrutinised by 2 members via Bankline and by 2 members checking the accounts in the office.

Members are informed each month that bank reconciliations for all accounts at the end of the previous month have been prepared successfully and a copy of each is sent to them. Two appointed members receive copies of the current account statements through the post and come in once a month to check the reconciliation against the original bank statements and all other accounts including cheque books, paying in books, that transfers are instant and that staff have only been paid once in the month.

The members keeps statements until the audit has been completed.

All members receive a monthly income and expenditure report showing the budget allocation for each code, income and expenditure to date and budget variance. They also receive quarterly reports on all accounts with reconciliations and an explanation of any significant variations in income or expenditure against the budget.

The Clerk/RFO deals with grants received in accordance with any terms under which they were awarded including any funding agreement. A member of staff or a councillor checks that all grants awarded have been used for the purpose for which they were given and if not the body is required to return the money.

Insurance provision is reviewed annually including consideration of the stability of the Council's insurance company.

## ADMINISTRATIVE SYSTEM

The Clerk/RFO monitors the invitation of quotations or tenders for goods or services and the awarding of contracts and this is in accordance with standing orders and financial regulations.

The Council has the General Power of Competence and this is used to approve expenditure.

The Clerk/RFO receives regular updates from the Somerset Association of Local Councils and the Society of Local Council Clerks and other bodies on any changes in legislation and reports this to the Council for appropriate action.

PAYE, national insurance and pension payments are made in respect of employees each month and returns made to HM Revenue and Customs. VAT is reclaimed quarterly.

All staff have a written contract of employment which is reviewed annually and each employee has an annual appraisal and salary review. Training needs are also reviewed at least annually.

All minutes of the Council and its committees are numbered consecutively from the start of the Council year and pages are also numbered. The original signed minute books are kept in a locked fire proof cabinet.

There is an agreed written procedure for dealing with enquiries from the public and to deal with responses to consultation requests. There is also an agreed written procedure for document receipt, circulation, response, handling and filing.

Procedures are in place for recording and monitoring members' interests and gifts and hospitality received.

Codes of conduct for members and employees are adopted as considered necessary.

Procedures are in place in respect of GDPR compliance.

## ASSETS

All assets are checked every 6 months by the Clerk, Assistant Clerk or ACPO using a tick list and any potential problems, damage etc. is reported to the Council to consider what action to take.

The Clerk/RFO adds or removes assets at cost value from the asset register and adds or removes them from the insurance policy.

Physical assets are inspected and maintained on a regular basis in accordance with a written procedure.

## CONTRACTS FOR SERVICES/GOODS

All contractors are required to provide written confirmation of adequate insurance cover and a risk assessment method statement prior to starting work for the Council. Work is monitored by Council staff/members if considered to be a potential high risk eg. fitting Christmas lights and is checked when completed before payment is made. Service contracts including for the maintenance of Street Skate Park and Merriman Park are checked and recorded every 2 to 3 weeks by a Council employee. Maintenance inspection sheets are also provided regularly by contractors. Annual independent inspections are arranged for trees and play equipment at the Skate Park and Merriman Park and any recommended action is taken promptly as considered necessary by the Council.

There is a 3 year contract in place with breaks with SLH Services for the maintenance and inspection of the Skate Park and Merriman Park and watering of hanging baskets and planters in the High Street.

## STREET PARISH COUNCIL

### INTERNAL CONTROL POLICY

REVIEWED MAY 2021

NEXT REVIEW MAY 2022

In order to maintain an adequate system of internal control, including measures designed to prevent and detect fraud and corruption the following processes are in place and reviewed annually to ensure that they are effective. While the coronavirus emergency continues see the Council decision of 19<sup>th</sup> May 2020 detailed above. In addition a protocol for remote meetings was agreed as an Annex to Standing Orders by the Council on 13<sup>th</sup> May 2020.

### STANDING ORDERS AND FINANCIAL REGULATIONS

The Council has standing orders and financial regulations in place which govern how it operates. Financial regulations incorporate provisions for securing competition and regulating the manner in which tenders are invited. These are reviewed at least annually, fit for purpose and adhered to.

### SAFE AND EFFICIENT ARRANGEMENTS TO SAFEGUARD PUBLIC MONEY

The Council has practical and resilient arrangements in place on how it orders goods and services, incurs liabilities, manages debtors, makes payments and handles receipts. Safe and efficient arrangements are in place to safeguard public money and these are reviewed at least annually. The RFO has formal responsibility for the proper administration of the Council's financial affairs. Controls over money are included in standing orders and financial regulations including that cheques or orders for payment shall be signed by two elected members. The Council approves the setting up of and any changes to accounts with banks or other financial institutions. It also approves every bank mandate, the list of authorised signatures for each account, the limits of authority for each account signature and any amendments to mandates.

Risk assessment and internal controls focus on the safety of the Council's assets, particularly money. The Clerk/RFO undertakes appropriate training as and when necessary.

### EMPLOYMENT

The remuneration payable to all employees is approved in advance by the Council. Salaries are reviewed annually and all payments are agreed by the Council each month. There are robust payroll arrangements covering the accuracy and legitimacy of payment of salaries and associated liabilities. The Clerk/RFO determines such payments in liaison with Probusiness Ltd. for PAYE and National Insurance and with Peninsula Pensions for pension contributions. The Council also ensures that it has complied with its duties under employment legislation and has met its pension obligations. General guidance and updates are received as necessary from SALC, South West Councils etc.

#### VAT

The Council is registered for VAT and has robust arrangements in place for handling its responsibilities with regard to VAT. VAT is reclaimed by the Clerk/RFO for each payment made after checking that this is in accordance with current legislation etc. Quarterly digital submissions are made to HM Revenue and Customs. The Clerk attended training on VAT in May 2016. Professional advice was received in December 2019 regarding the relocation of the library to the Parish Rooms and alteration of the building.

#### FIXED ASSETS AND EQUIPMENT

The Council's assets are secured, properly maintained and efficiently managed. Appropriate procedures would be followed for any asset disposal and for the use of any resulting capital receipt.

#### LOANS AND LONG TERM LIABILITIES

Any loan or similar commitment would only be entered into after the Council was satisfied that it could be afforded and that relevant approvals had been obtained. Proper arrangements are in place to ensure that funds are available to make repayments of capital and interest and other liabilities – the sums required for the 2 current loan repayments are included in the annual budget.

#### REVIEW OF EFFECTIVENESS

Regulation 6 of the Accounts and Audit Regulations 2015 requires the Council to review the effectiveness of the system of internal control each financial year. This will inform the Council's preparation of its annual governance statement.