



PENZANCE COUNCIL

Statement of Internal Control

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1. Introduction

- 1.1. Penzance Town Council (referred to as Penzance Council or the Council) is a local authority funded by public money and is responsible for ensuring its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for, used economically, efficiently and effectively.
- 1.2. In meeting this responsibility assurance is required that there is a sound system of internal control and that the Council's accountability framework is 'risk' based; proportionate to that risk and to the amounts of public money involved and to the stakeholders' need for assurance.
- 1.3. The system of internal control is designed to ensure that risks are managed to a reasonable and acceptable level forming part of an ongoing process designed to identify and prioritise the risks to the authority's policies, aims and objectives and to evaluate and manage those risks accordingly.
- 1.4. This Statement of Internal Control should be read in conjunction with Penzance Council's Standing Orders and Financial Regulations. It provides details of the methodology by which the Council affords itself protection in the day-to-day operation of its accounting procedures.
- 1.5. The Council reviews its Standing Orders, Financial Regulations and Statement of Internal Control at least annually to ensure compliance with current legislation and best practice.

2. Internal and External Audit (Financial Regulation 2)

- 2.1. The Council appoints an Internal Auditor in accordance with its Financial Regulations and is responsible for ensuring that the person appointed meets the competency and independence requirements.
- 2.2. The External Auditor is independently appointed by the Smaller Authorities' Audit Appointments every 5 years. The External Auditor examines the Annual Governance and Accountability Return (AGAR) and any other documents specifically requested.

3. Budgets (Financial Regulations 3 and 4)

- 3.1. The Council approves an annual budget having regard to a three-year forecast prepared by each of its budget-holding Committees. The budget is the basis of financial control for the ensuing year.
- 3.2. The Council's Responsible Financial Officer (RFO) presents regular budget monitoring reports to each meeting of the Finance and General Purposes Committee highlighting any areas of concern or significant variances.

3.3. A year-to-date budget comparison of income and expenditure actually received and spent against the amounts approved by Council is presented to the Finance & General Purposes committee meetings.

3.4. Expenditure which exceeds the amount provided in the revenue budgets requires the approval of Council which must fully consider the implications in doing so.

4. Orders and Procurement (Financial Regulation 10)

4.1. No orders for goods or services are placed without the consent of a budget holder, Town Clerk or RFO who will authorise the order in accordance with Financial Regulation 10.1.

4.2. In placing an order, officers are required to identify the budget and must comply with Financial Regulation 4, which sets out the authority to spend, and to ensure best value.

4.3. Purchase orders shall be retained for the requisite period (currently six years) with the annual accounts and supporting papers. The purchase order number should be quoted on the invoice.

5. Authorising Payments (Financial Regulation 4/5/6)

5.1. Invoices for payment are dated on receipt, when posted to the office and presented to the finance team or emailed electronically by the supplier.

5.2. The Finance team check the invoice against the relevant purchase order to ensure arithmetical accuracy and that VAT, when charged, has been correctly calculated.

5.3. The relevant budget holder then authorises payment to be made after doing a further check of the details against the purchase order where provided and is satisfied the work or supplies delivered meet their expectations.

5.4. The Finance team prepares a weekly payments list of authorised expenditure which is then requested to a Councillor on the bank mandate to approve through Online Banking or for two councillors to counter-sign a cheque, where needed.

5.5. All payments are made within 28 calendar days of the invoice date, unless other agreement made prior to placing the order; the Council seek to accommodate shorter payment terms, but this is not always possible due to the complex banking arrangement which new suppliers should be made aware of.

5.6. The Finance team prepares a schedule of payments made the Finance and General Purposes Committee to receive and accept by resolution for the latest month-end, for each cycle of meetings.

5.7. The payment limits, as prescribed by the Financial Regulations, are applied as part of the authorisation process.

6. Salaries (Financial Regulation 7)

- 6.1. The payments of employee salaries are facilitated by the Council's appointed payroll provider, at the approval of the RFO who checks the pay reports produced in advance of the month's pay day. The payroll provider ensures compliance with PAYE and National Insurance legislation and in accordance with Cornwall Council Superannuation Fund requirements. Payments to HMRC and to Cornwall Council's Pension Fund are made by the due date (currently the 19th of the succeeding month for HMRC). The payroll reports provide a summary overview of the pay month, and a more detailed breakdown for each department and by employee. Employee salaries are paid electronically by BACS, on or before the 28th of each calendar month, in accordance with Financial Regulation 6.9.
- 6.2. Officers are employed on National Joint Council Conditions of Service and the outcome of any negotiations between the employer's and employees' representatives are reported to Council as part of the budgetary process in December or by no later than January each year and are approved as part of the budget and the resolution confirming the precept.
- 6.3. Where the employers and employees' representatives have not reached agreement, the Council may include an estimate as is deemed necessary to protect its position.
- 6.4. Incremental increases which form part of the employees' contracts are included in the salary calculations presented to Council as part of the budgetary process. Any other ad hoc changes must be approved by the Council or a duly delegated Committee.

7. Income (Financial Regulation 9)

- 7.1. Invoices for services provided by the Council (e.g., allotments, rents etc) are prepared in accordance with the scale of fees determined by the Council. The fees are approved annually in advance of the budget setting process.
- 7.2. Income received at the Council's office is checked for accuracy against the invoice and a receipt issued where requested. The monies are held securely pending collection by the Council's secure banking service. A copy of the receipt is retained for office records.
- 7.3. Where income is collected and no machine generated reports are produced, two officers are present at collection and counting of the monies.
- 7.4. The banking of receipts is the responsibility of a nominated officer in each business area, and monies are transferred to Penlee Centre as soon as practical. The RFO will ensure that nominated officers hold no more than £1,000 un-deposited at any one time.
- 7.5. Individual Senior Managers will undertake risk assessments to ensure Officers transferring funds to Penlee Centre remain safe.

- 7.6. Any unpaid debts over £100 at the end of the financial year and are unlikely to be recovered are reported to the next meeting of the Finance and General Purposes Committee.

8. Bank Reconciliations (Financial Regulation 2)

- 8.1. As part of the audit process, the RFO ensures the quarterly reconciliation between all the accounts and the corresponding bank statements balances.
- 8.2. The bank statements, having been reconciled by the Finance team are presented to a non-signatory Councillor, and both the RFO, Finance Officer and Councillor confirms the reconciliation as correct by signature on the balance sheet produced from the finance system and on the front of the bank statement.
- 8.3. The bank reconciliations are presented to the Finance and General Purposes Committee for the latest month-end, for each cycle of meetings.

9. Accounting Books and Reports to Council (Financial Regulations 4 and 9)

- 9.1. The RFO ensures that all payments made, and income received are entered into the finance system. On a regular basis. This ensures an up-to-date financial position is known to aid informed decision making and enables the production of monthly reports and reconciliations.
- 9.2. The RFO produces a financial report detailing payments made, budget position and bank and cash reconciliations to the Finance and General Purposes Committees for the latest month-end, for each cycle of meetings.

10. Risk Management (Financial Regulation 17)

- 10.1. The Town Clerk prepares the risk management policy statements for approval by the Council which are reviewed annually, and the Council's Financial Regulations and Statement of Internal Control are reviewed as part of this process. Standing Orders are also reviewed to ensure compliance with any legislative changes.

11. Insurance and Register of Assets (Financial Regulations 14 and 15)

- 11.1. The RFO maintains an accurate Register of Assets for the purposes of insurance and in consultation with the Town Clerk, annually reviews the Council's insurance policies to ensure adequate cover is maintained.