



DITCHLING PARISH COUNCIL

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Annual Review of Internal Controls

1. SCOPE OF RESPONSIBILITY

Ditchling Parish Council's Financial Regulations state:

FR 2.1 The council must ensure that it has a sound system of internal control, which delivers effective financial, operational and risk management.

FR 2.4 At least once a year, the council must review the effectiveness of its system of internal control, before approving the Annual Governance Statement.

FR 2.5 The accounting control systems determined by the RFO must include measures to:

- *ensure that risk is appropriately managed;*
- *ensure the prompt, accurate recording of financial transactions;*
- *prevent and detect inaccuracy or fraud; and*
- *allow the reconstitution of any lost records;*
- *Identify the duties of officers dealing with transactions and*
- *ensure division of responsibilities..*

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. The system of internal control is based on an on-going process, designed to identify and prioritise the risks to the achievement of the Parish Council's policies, aims and objectives, to assess the likelihood of those risks being realised and the impact thereof, and to manage them efficiently, effectively and economically.

3. THE SYSTEM OF INTERNAL CONTROL

3.1 The Parish Council:

- elects a Chair (annually at the May meeting) who is responsible for the smooth running of meetings and transaction of business.
- has adopted Standing Orders and Financial Regulations that contain the procedures and processes for conducting the Parish Council's business.
- annually reviews its obligations, objectives and aspirations and sets its budget for the following financial year at its December / January meeting.
- annually sets the Precept for the following financial year at its December / January meeting.

- conducts monthly bank reconciliations, performs quarterly budgetary control reviews and minutes these.
- monitors progress against its aims and objectives annually by receiving relevant reports from Councillors and the Clerk/RFO.
- carries out regular reviews of its internal controls, procedures and processes in light of any best practice advice and guidance from the External Auditor, SALC, NALC and the SLCC.

3.2 The Clerk to the Parish Council/Responsible Financial Officer (RFO):

The Parish Council has appointed a Clerk who acts as the Parish Council's advisor and administrator. The Clerk is responsible for the day to day compliance with law and regulations that the Parish Council is subject to, for implementing the Parish Council's decisions and for managing risks. The Clerk is also the Parish Council's RFO and, as such, is responsible for administering the Parish Council's finances.

3.3 Risk Assessments/Risk Management:

The Parish Council carries out risk assessments in respect of its actions and annually reviews its internal controls, procedures and processes.

3.4 Internal Auditor:

The Parish Council appoints an independent Internal Auditor annually, who reports to the Parish Council on the adequacy of its financial processes, after examining and testing the Parish Council's processes and records.

3.5 External Auditor:

The Parish Council's External Auditors, issue an annual Certificate of Audit based on the submitted Annual Return, which is presented to and approved by the Parish Council.

4. REVIEW OF EFFECTIVENESS

The Parish Council is required to review the effectiveness of the internal audit annually, in accordance with the Accounts and Audit (Amendments) Regulations 2015. The review considered the following;

4.1 Scope of the internal audit

The internal audit covers examination and testing of the Parish Council's records, including (but not limited to) the Receipts and Payments Cashbooks, cheque books, bank statements, VAT returns, minutes, invoices and receipts, asset register, risk register, Standing Orders, Financial Regulations and insurance provision. The Clerk/RFO ensures all records are available to the Internal Auditor and attends to answer questions arising during the audit. The Internal Auditor is asked to confirm that their terms of appointment take into account the Governance and Accountability in Local Councils in England and Wales: A Practitioners' Guide and the external auditor's Audit Briefing (issued annually).

4.2 Independence of the internal auditor

There is no advisory or financial connection between the Internal Auditor and the Parish Council, save for the undertaking of the internal audit and remuneration thereof.

4.3 Competence of the internal auditor

The Internal Auditor has an obligation to conduct his work ethically, with integrity and objectivity.

4.4 Audit Plan and Reporting

The internal audit plan is based on the Parish Council's current level of regular receipts and payments and the perceived likely risks (fraud, misuse of public funds, etc.).

At present it is considered that, in conjunction with the monthly bank reconciliation and the monthly budgetary control review, an interim audit may be conducted alongside the year end audit which will take place after 31st March and before the June Parish Council meeting.

The Internal Auditor will report his findings to the Clerk/RFO, who will communicate these to the Parish Council at the next meeting. The Internal Auditor also provides the written report of the Annual Return to the external auditor.

5. CONCLUSION

The Parish Council has reviewed the effectiveness of the internal audit and is satisfied there are no matters that require attention or modification this year.