

# South Walsham Parish Council

## Annual review of the Effectiveness of Internal Control

### **The Accounts and Audit Regulations 2003:**

“(1) The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body shall have a sound system of internal control which facilitates the effectiveness of that body’s functions and which includes an arrangement for the management of risk.

(2) The relevant body shall conduct a review at least once in a year of the effectiveness of its system of internal control.”

### **Internal Control:**

The system of internal control is designed to reduce the financial risk of the Parish Council to an acceptable level.

### **Financial Management:**

The Parish Council has approved a set of financial standing orders which set out the way the Council’s finances are to be managed. These are reviewed and approved once a year.

The Clerk is the Responsible Financial Officer and is responsible for the day-to-day financial management of the Council. The duties of the Responsible Financial Officer are reviewed and approved biannually. The Responsible Financial Officer shall report all payments to the Council.

Two Councillors, out of four named signatories, must sign all cheques and other financial documents. If internet banking is used, two Councillors must approve all payments. The Clerk may not authorise payments, but may carry out transfers within the Parish council’s bank accounts.

The cheque signatory shall check the supporting document at the time of signing, to ensure that the cheque agrees with the amount of the invoice and the payee named on the invoice. The cheque stub should also be initialled to record that the name on the cheque stub is the same as that on the cheque.

At the year end, the Chairman shall ensure that the cash book totals are reconciled to the year-end bank statement and shall sign the cash book as evidence of this check.

In December the Council shall review the budget in detail and shall decide upon the precept for the forthcoming year.

### **Internal audit:**

The Council has appointed an independent and competent internal auditor and carries out a review of the effectiveness of the internal audit once a year. The auditor reports their findings to the full Council and completes the Annual Internal Audit Report of the Annual Return.

**The Accounts and Audit regulations 2003** (as amended by The Accounts and Audit (Amendment) (England) Regulations 2006):

## **“Internal audit**

...A relevant body shall maintain an adequate and effective system of internal audit of its accounting records of its system of internal control in accordance with the proper internal audit practices”.

### **Scope:**

The purpose of internal audit is to review whether the systems of financial and other control are effective; neither the internal nor the external auditor can be expected to look for fraud. The internal audit does not give an opinion on the accounts, but is required to review controls and give recommendations.

The Internal Auditor is required to review the completeness and accuracy of the Council’s accounts for the year and carry out sample testing from the accounts to supporting documentation. The Auditor shall also review payroll and VAT for reasonableness.

The Internal Auditor will discuss their findings with the Responsible Financial Officer and will then write a report on their findings to the Parish Council. In the case of a problem, the Auditor will report direct to the Chairman. Recommendations from the report will be recorded in the minutes and any action taken will be noted.

### **Independence:**

The Auditor shall not have any other role or employment within the Council.

### **Competence:**

The Internal Auditor shall be competent to carry out the work. They should have an understanding of the accounting process, an understanding of the role of internal audit in reviewing systems, an awareness of risk management issues and an understanding of accounting requirements, legal framework and powers of Councils.

### **Internal Controls:**

The Council shall carry out an annual review of its systems of internal control and of its financial risk management. Such review shall be approved by the full Council and the Responsible Financial Officer.

Adopted by South Walsham Parish Council

Signed: *P Crook*  
Chairman

Signed: *A Beck*  
Responsible Financial Officer

Dated: *3<sup>rd</sup> April 2023*

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