

## **1. The Purpose of the System of Internal Control**

Drayton Parish Council (the Council) is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of the Council's functions, including arrangements for the effective management of risk.

Internal control is designed to reduce financial risk to the Council; the *system* of internal control is designed to ensure that the Council's activities are carried out properly and as intended.

Systems will include the checking of routine financial procedures; the examination of financial comparisons; the recording of assets and liabilities; the identification of risk and to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

## **2. Scope of Responsibility**

While internal controls are established by the Parish Clerk and Responsible Financial Officer, Council Members have a collective responsibility for ensuring the system of effective internal controls is maintained. For full details on matters reserved for Council, please see the Council's adopted [Scheme of Delegation](#).

### **2.1. The Council**

#### **2.1.1. Annually**

- a) Appoints a Chair responsible for the smooth running of meetings and for ensuring that all Council decisions are lawful in line with the Clerk's advice
- b) Reviews its obligations and objectives and approves the budget and level of precept for the following financial year
- c) Approves the accounting statements and Annual Governance and Accountability Return
- d) Determines action to be taken in response to recommendations in any report from the internal or external auditors
- e) Receives recommendations from Finance & General Purposes Committee for consideration and approval

#### **2.1.2. Monthly**

- a) Receives the minutes for approval, with each page signed by the Chair to confirm the minutes are agreed as an accurate record of the meeting
- b) Receives and confirms bank reconciliations
- c) Receives and considers all receipts and approved payments
- d) Receives and authorises payments in line with adopted Financial Regulations

## **2.2. The Finance & General Purposes Committee**

### **2.2.1. Annually**

- a) Appoints a member of the Committee to conduct quarterly internal control checks
- b) Receives and monitors the Document Schedule to ensure policies are reviewed for accuracy in relation to the policy areas they reflect, changes in legislation and current best practice
- c) Reviews the Council's banking arrangements, banking mandates and authorised signatories and makes recommendations to Council
- d) Reviews the effectiveness of internal control and makes recommendations to Council to inform its response to the Annual Governance Statement
- e) Reviews the regular payments list including payment methods for recommendation to Council
- f) Reviews the asset register for appropriateness and accuracy
- g) Reviews insurance needs and makes recommendations to Council
- h) Reviews the effectiveness of Internal Audit and makes recommendations to Council
- i) Reviews the interim internal audit report and makes recommendations for corrective action to Council
- j) Receives annual review of Financial Regulations and Standing Orders by the Parish Clerk and RFO and makes recommendations to Council
- k) Reviews the Council's adopted Financial Risk Assessment and makes recommendations to Council

### **2.2.2. Quarterly**

- a) Receives quarterly budget reports comparing planned and actual expenditure
- b) Receives reports of internal control checks carried out by the appointed person and considers recommendations for corrective action
- c) Monitors progress of Audit Plan in line with agreed corrective actions identified in internal/external audit reports

## **3. The Parish Clerk and Responsible Financial Officer**

In accordance with the Local Government Act 1972 s151, the Council appoints a Responsible Financial Officer (RFO) who administers the council's financial affairs. The RFO acts as the Council's advisor and principal administrator and is responsible for the day-to-day compliance with legislation and policies and for managing risks. In accordance with internal imperatives and external requirements, the RFO:

- a) Conducts an annual review of Standing Orders and Financial Regulations in line with national guidance and legislation
- b) Ensures that the Council's procedures and control systems outlined in this statement are maintained

- c) Ensures that Payments are made in accordance with adopted Financial Regulations and Standing Orders
- d) Manages the timetable for the internal control checks and audit programme
- e) Manages the timetable for Council approval of the annual return and compliance with electors' rights
- f) Submits all requested information to the External Auditor by the agreed date and arranges for the required publication of notices, accounts and returns
- g) Manages the Council's Credit Card procedures in line with adopted Financial Regulations and Credit Card Policy

The Council has appointed the Parish Clerk as RFO who's duties are outlined in a Job Description which was last reviewed in October 2024. A full list of delegated responsibilities can be found in the [Scheme of Delegation](#).

#### **4. Internal Audit**

The Council appoints an independent and competent Internal Auditor who undertakes an internal audit to evaluate the effectiveness of the Council's risk management, control and governance processes. The Internal Auditor is appointed by Council in line with best practice outlined in the Joint Panel on Accountability and Governance Practitioners' Guide.

The Internal Auditor will as a minimum complete the annual internal audit report on the Annual Governance and Accountability Return (AGAR). In addition, the internal auditor also provides a narrative report highlighting areas for improvement and development and is received by Council for consideration. The Finance & General Purposes Committee is responsible for monitoring an action plan setting out the areas for improvement required, agreed corrective action, the member(s)/Officer(s) responsible for delivering improvement and the deadlines for completion of the actions.

Per section 4 of the Practitioners Guide, the effectiveness of the overall internal audit arrangements is reviewed annually to provide sufficient assurance that standards are being met and that the work of internal audit is effective.

The review is undertaken by the Finance & General Purposes Committee in line with the Practitioners Guide including a review of the personal independence, financial independence and professional independence of the appointed person. Any recommendation to rotate the appointed person shall be approved by Council.

#### **5. External Audit**

PKF Littlejohn LLP was appointed as external auditor by Smaller Authorities' Audit Appointments Ltd (SAAA) to all local government smaller authorities who are subject to the limited assurance regime for the 5 financial years from 2022-23 to 2026-27.

Under the limited assurance regime, the Council is subject to an intermediate review procedure. PKF Littlejohn LLP undertake a limited range of specified procedures to give a report that provides limited, rather than reasonable, assurance about the accounting statements.

The report is presented to Council for consideration and corrective action as necessary.

## **6. Review of Effectiveness**

[Regulation 6 of the Accounts and Audit Regulations 2015](#) requires an authority to “conduct a review of the effectiveness of the system of internal control” each financial year. The review informs the Council’s preparation of its annual governance statement and is informed by the work and any significant matters raised by:

- a) **Council:** identification of new activities
- b) **Finance & General Purposes Committee:** identification of new activities or risks
- c) **Parish Clerk and RFO:** identification of areas for improvement and development of the internal control environment and management of risks
- d) **Internal Audit:** identification of areas for improvement and development
- e) **External Audit:** identification of matters arising from the annual governance and accountability return

## **7. Significant Internal Control Matters**

Significant matters raised during the financial year ending 31<sup>st</sup> March 2025:

- a) **Council**  
No significant matters raised.
- b) **Finance & General Purposes Committee**  
No significant matters raised. The effectiveness of the overall internal audit arrangements was reviewed at the Committee meeting held on 25<sup>th</sup> July 2024 and recommendations approved at the Council meeting held 8<sup>th</sup> August 2024.
- c) **Parish Clerk and RFO**  
No significant matters raised.
- d) **Internal Audit**  
The 2023-24 End-of-Year Audit was carried out on 1<sup>st</sup> May 2024 and confirmed, in all significant respects, that the control objectives were achieved to a standard adequate to meet the needs of the authority and the Council received no recommendations for action.

The interim internal audit carried out in November 2024 concluded that “*Council continues to demonstrate effective management and financial control with officers showing a high standard of administrative support thereby enabling council to make well-informed decisions.*” A number of comments and recommendations were made in light of the period ending 31<sup>st</sup> October 2024 with areas identified that could be expanded to provide independent assurance that the Council’s risk management, governance and internal control processes are operating effectively. Council received the report and approved corrective action to be taken at its meeting held on 13<sup>th</sup> February 2025. The status of action taken is monitored by the Finance & General Purposes Committee.

e) **External Audit**

There were no matters raised on the Annual Return for the financial year ending 31<sup>st</sup> March 2024 which gave cause for concern. This was noted and accepted by the Parish Council at its meeting held on 12<sup>th</sup> September 2024.