



Hadleigh Town Council

The Guildhall
Market Place
Hadleigh
Suffolk
IP7 5DN
(01473) 823884

Review of Effectiveness of the Internal Audit 2022

1. Scope of Responsibility

Hadleigh Town 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. The system of internal control is based on an ongoing process, designed to identify and prioritise the risks to the achievement of the 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 Council:

- elects a Chair (annually at the May meeting) who is responsible for the smooth running of meetings and transaction of business with guidance from the Proper Officer,
- has adopted Standing Orders and Financial Regulations that contain the procedures and processes for conducting the Council's business,
- annually sets the precept for the following financial year at its January meeting,
- sets its budget for the following financial year at its January meeting after discussions in November/December once the tax base and precept are confirmed,
- conducts monthly bank reconciliations, performs quarterly budgetary control reviews and minutes these,
- carries out regular reviews of its internal controls, procedures and processes in light of any best practice advice and guidance from the External Auditor and NALC.

3.2 The Internal Financial Verifier (IFV):

The Council elects an IFV (annually at the May meeting) whose responsibility includes conducting the monthly bank reconciliations independently from the Clerk/RFO. *[NB. This appointment does not relieve the other Councillors of their financial responsibilities.]*

3.3 Proper Officer (PO) / Responsible Financial Officer (RFO):

The Council has appointed a Clerk to the Council who acts as the Council's advisor, administrator and Proper Officer. The Proper Officer is responsible for the day-to-day compliance with law and regulations that the Council is subject to, for implementing the Council's decisions and for managing risks. The Projects & Finance Officer is the Council's RFO and, as such, is responsible for administering the Council's finances and assessing financial risks.

3.4 Risk Assessments / Risk Management:

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

3.5 Internal Auditor (IA):

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



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3.6 External Auditor:

The Council's External Auditors, PKF Littlejohn, issue an annual Certificate of Audit based on the submitted Annual Governance & Accountability Return (AGAR), which is presented to and approved by the Council.

4. Review of Effectiveness

The Council is required to review the effectiveness of the internal audit annually, in accordance with the *Accounts and Audit (Amendments) Regulations 2006*. The review considered the following;

4.1 Scope of the internal audit

The internal audit covers examination and testing of the Council's records, including (but not limited to) 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 that all records are available to the IA and answers questions arising during the audit.

The IA's terms of reference are set out in the annual appointment letter, taking 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 non-parishioner IA and the Council, save for the undertaking of the internal audit and remuneration thereof.

4.3 Competence of the Internal Auditor

The IA is employed via SALC and has relevant qualifications to enable them to complete the internal audit.

4.4 Relationships

- The Clerk / RFO is involved in the development of the internal audit plan (below).
- The Council adopted the plan, following confirmation from the IFV; however the Council remains responsible for the suitability of the audit plan.
- The IA's role is defined by the terms of reference included in their appointment letter.

4.5 Audit Plan and Reporting

The internal audit plan is based on the 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 quarterly budgetary control review, only one annual internal audit is required, which takes place after 31st March but before the June Council meeting.

The IA reported their findings to the Clerk / RFO who communicated these to the Council at the next meeting. The IA also provides the written report in the AGAR to the External Auditor.

SUMMARY

The Council has reviewed the effectiveness of the Internal Audit as described in Section 4 above and is satisfied there are no matters that require attention or modification this year.

Chair.....

Clerk / RFO

Date

Date