Review of the Effectiveness of Internal Control

Bowes Parish Council

2024/25

Introduction
Regulation 6 of the Accounts and Audit Regulations imposes a duty on local councils to *'conduct an annual review of the effectiveness of its system of internal control'*.
Bowes Parish Council undertakes this review each June following consideration of the internal audit report for the relevant financial year.

The outcome of this review informs the consideration and approval of the Annual Governance Statement, contained within the Council's Annual Governance and Accountability Return (AGAR).

The Bowes Parish Council System of Internal Control
The Council's system of internal control has three stages:
- Identification of the Potential Risk (Risk Management)
- Controls and procedures in place to mitigate the risks identified (Control Systems)
- Systems for testing the adequacy of internal controls (Internal Audit).

Risk Management
The Council has a detailed risk management strategy, which was comprehensively reviewed and updated in February 2025. This is designed to:
- Integrate risk management into the culture of the organisation;
- Embed risk management through the ownership and management of risk as part of all decision-making processes; and
- Manage risk in accordance with best practice by agreeing further action wherever residual risk exceeds the Council's risk appetite.

The Council annually updates a risk register identifying potential risks and remedial measures in place and scoring them for probability and impact. The risk register was updated in March 2025 and there were no residual risks above the Council's risk appetite.

Control Systems
The Council describes its procedures to mitigate financial risks in Financial Regulations based on NALC's Model Financial Regulations but appropriately tailored to a small parish council with a single part-time employee.
The Council reviewed its financial regulations in November 2024 and approved a fully updated version. At its Annual General Meeting in May 2025 the Council agreed minor updates to reflect a new version of the NALC Model issued in March 2025.
The Council's Annual General Meeting also reviews and approves an Anti-Fraud and Corruption Policy that illustrates how the Council aims to prevent, detect and investigate fraud and corruption.

The paramount internal controls that the Council relies upon are demonstrated by each council meeting considering:

- a full list of receipts and payments since the previous meeting with payments either approved in advance by two councillors signing a payment authorisation sheet or the reasons for seeking retrospective approval set out by the Clerk;
- a budget monitoring report showing receipts and payments to date against profiled budget and explaining variances above 15% and £250; and
- a bank reconciliation prepared by the Clerk, which the Chair checks to bank statements and signs quarterly with a more detailed check to the cash book at year-end.

Internal Audit

The Council formally appoints an internal auditor to test the adequacy of internal controls and complete the internal audit objectives set out in the AGAR. The Clerk then agrees terms of engagement and an annual internal audit plan with the internal auditor, which sets out the minimum procedures required to give the Council assurance. The internal auditor is permitted to carry out such additional work that they deem necessary and report any significant concerns about the Clerk to the Chair and / or external auditor.

The internal auditor is independent of the Council's members and employees and experienced at undertaking parish council internal audits.

If the internal auditor identifies any non-compliance with internal control or significant governance weaknesses they are required to produce a supplementary report to their AGAR report setting out recommendations to address the deficiency. The Council will consider internal audit reports before approving its Annual Governance Statement.

Outcome of the 2024/2025 Review of Effectiveness of Internal Control

The Council has an **adequate** system of internal control and is recommended to answer '*yes*' to each applicable assertion on the Annual Governance Statement.

This conclusion is supported by the following:

- effective risk management (as assessed by Internal Audit), which has not identified any risks above the Council's risk appetite;
- adequate controls are set out in Financial Regulations reviewed and updated during the financial year and supported by an Anti-Fraud and Corruption Policy;
- Internal Audit issued a clean report with no recommendations in both May 2024 and May 2025;
- The Clerk has assessed the effectiveness of internal audit against good practice in Section 4 of the Practitioner's Guide and has not identified any concerns; and
- The 2023/24 AGAR was subject to a limited assurance review by the external auditors (Forvis Mazars) and their opinion was unqualified with no other matters in their audit report. They identified minor scope for improvement in their closure letter, which was formally considered by the Council and has been fully addressed.

Approval of the Review

The Council will consider this report at its meeting on 17 June 2025 and approve it before approving the 2024/25 Annual Governance Statement, Accounts and Exemption Certificate in that order.