

Special Meeting 30th May 2018 - Agenda Item 4

Report on the Findings of the Review of the System of Internal Control 2017/18

Under paragraph 6(1)(a) of the Accounts and Audit Regulations 2015 the Town Council has an obligation to conduct a review of its System of Internal Control at least once a year. The findings of the review must be considered by the Council as a whole prior to the adoption of the Annual Governance Statement, which forms part of the Annual Return.

The System of Internal Control (SIC) is a core part of the Council's governance framework and consists of a set of checks and balances designed to ensure that proper arrangements are made to safeguard the public money and resources in its charge. The SIC is designed to manage risk to a reasonable level, and to prevent and detect fraud and corruption. It is acknowledged that it cannot eliminate all financial and operational risks, and can only provide reasonable and not absolute assurance of effectiveness.

Important elements of the Council's SIC include:

- adherence to financial regulations and standing orders;
- adoption of appropriate corporate and financial plans;
- action on reports from both internal and external auditors;
- arrangements for risk management, including maintenance of a Corporate Risk Register;
- compliance with administrative procedures including the segregation of duties so far as is possible in a small organisation;
- scrutiny of management accounts, annual estimates, budget forecasting and variance reports by Members.

The following policy documents were reviewed by the Town Council during 2017/18 to strengthen the system of internal control, and amended versions were adopted at the meetings indicated below:

- Sundry Debtors Management Policy (Policy, Finance & Performance Management Committee – 28th July 2017)
- Card Details Security Policy ((Policy, Finance & Performance Management Committee – 13th December 2017)
- Treasury Management Strategy Statement, incorporating Investment Strategy (Estimates Meeting – 22nd January 2018)
- Reserves and Balances Policy (Estimates Meeting – 22nd January 2018)
- Corporate Risk Register (Policy, Finance and Performance Management Committee – 13th March 2018 and Full Council - 26th March 2018).

In effect, the Council keeps the system of internal control under constant review, addressing matters raised by the internal and external auditors at the earliest opportunity. The external

auditors (BDO) did not raise any matters this year in an Issues Arising Report (IAR). This was reported to full Council on 30th October 2017.

The process of internal audit is key to the review of the SIC. This has been the third year of the Council's existing contract with Darkin Miller Chartered Accountants to provide internal audit services. Each autumn a meeting is held between the Internal Auditor and the Town Clerk, in his capacity as the Responsible Finance Officer under Section 151 of the Local Government Act 1972, to review and approve the annual risk based audit plan to ensure that all significant risks are addressed. This year that meeting took place on 11th October 2017. As previously agreed, some lower-risk Council activities are now audited on a rolling 3-year programme, rather than every year.

The internal auditor's interim reports are addressed by appropriate departmental managers as soon as they are completed. Responses are co-ordinated by the Town Clerk and incorporated into the internal auditor's reports to the Policy, Finance and Performance Management Committee, which this year were considered on 8th November 2017, 15th January and 13th March 2018. This ensures that actions are taken at the earliest possible opportunity. The following are examples of amendments that have either been made to the SIC as a result of the internal auditor's reports during 2017/18, or are in the process of being implemented:

- Improvements to processes at the allotments and boat park;
- Improvements to implementation of rent reviews;
- Completion of outstanding lease and licence agreements.

The internal auditor's annual report for 2017/18, confirms that no significant control weaknesses were identified for inclusion in the Council's Annual Governance Statement.

In conclusion, the Town Council continues to take measures to improve its System of Internal Control to ensure that public funds are used economically, efficiently and effectively. During 2018/19 the Policy, Finance and Performance Management Committee will continue its important work in overseeing the implementation of recommendations from the internal and external auditors, together with improvements identified in the Corporate Risk Register and a review of key Council policy documents including its Corporate Plan.

Martin Ayres
Town Clerk and RFO

May 2018