Review of the Effectiveness of the Council's System of Internal Control for the 2019/20 Financial Year

Introduction and Statutory Requirements

Regulation 3 of the Accounts and Audit Regulations 2015 requires the Council to have in place *'a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the Council is effective, and includes effective arrangements for the management of risk'.*

In addition Regulation 6 requires the Council to *'conduct an annual review of the effectiveness of its system of internal control'*.

The outcome of this review must be taken into account in the consideration and approval of the Annual Governance Statement, which is included in the Council's Annual Return.

This document will therefore explain how the Council has met the requirements of the Accounts and Audit Regulations 2015 in relation to having in place a sound system of internal control and sets out for the consideration and approval of the Council the annual review of its effectiveness for the 2019/20 financial year.

This will then provide the Council with the information and assurance it needs to approve the 2019/20 Annual Governance Statement in June 2020.

The System of Internal Control

The system of internal control refers to the cultures, strategies, policies, management systems and structures and procedures that are in place within the Council, which together help to ensure the effective exercise of its functions, the achievement of its aims and objectives, the management of risk, and the effective financial management of the Council in compliance with all relevant laws, acts, regulations and proper practices.

The system of internal control helps the Council to ensure that it:-

- complies with all relevant laws, acts, regulations and proper practices;
- secures the economic, efficient and effective use of public money;
- safeguards its assets and interests; and
- controls the way in which it accounts to, engages with and leads its community, formulates it priorities and objectives, and delivers its services in a way that meets those objectives.

The system of internal control is designed to manage risk of failure to a reasonable level via a series of controls. However, it cannot eliminate all risk of failure to achieve aims, objectives and policies, and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on a framework which includes:-

- the proper establishment of the Council's priorities and objectives and effective performance management via the Service Delivery Plan;
- a fit for purpose constitution and scheme of administration supported by robust financial regulations, standing orders, policies and procedures;
- good officer and member relations and conduct;
- appropriate segregation of duties;
- a sound system of management supervision;
- strong financial management and internal audit;
- effective risk management; and
- a robust system of delegation, authorisation and accountability.

Responsibility for the System of Internal Control

The Council is ultimately responsible for establishing and overseeing the development of a sound and effective system of internal control and for reviewing the effectiveness of this system on an annual basis.

The Finance Manager, supported by the Internal Auditor, is responsible for maintaining and developing the system of internal control, assessing its effectiveness, and monitoring and ensuring compliance with its various requirements by officers of the Council.

It is the responsibility of service managers to ensure sound internal control arrangements are in place and being followed in relation to their individual service areas, and that these meet the requirements of the Council's Financial Regulations and all supporting financial policies and procedures.

The Great Aycliffe Town Council System of Internal Control

Great Aycliffe Town Council's system of internal control includes the following specific features:-

- Establishment of the Council's overall vision, and annual strategic aims and targets via the Service Delivery Plan.

- Ensuring regular monitoring of strategic aims and targets via the Performance Management Framework, and reporting of this via the Service Delivery Plan.

- Regular consultation and engagement with the community and service users via the Council newsletter, social media, satisfaction surveys, public events and open days, the youth council and customer panel.

- Maintenance and annual review of the Council's Constitution including the:-
  - Committee Structure and Powers and Duties of Committees;
  - Standing Orders relating to the Proceedings and Business of the Council;
  - Standing Orders for Contracts and Procurement;
  - Financial Regulations;
  - Scheme of Delegation;
  - Members' and Officers' Codes of Conduct and Relations Protocol; and
  - Council Policies and Procedures.

- The scrutiny and review of the Council's strategic aims and targets and policies and procedures by the Review Sub Committee.

- Service reviews, undertaken by the Service Review Working Group, as and when required, to appraise the relevance, quality and cost effectiveness of Council services.
- The work of the Internal Auditor; planned, monitored and reported via the completion of the Annual Internal Audit Plan.
- The operation of the Council's Audit, Risk and GDPR Sub-Committee and the reporting of risk assessments and the risk register, the annual Internal Audit Plan, audit reports, and audit recommendations to this Sub-Committee.
- The annual update of the Council's Medium Term Financial Plan.
- The development and implementation of the Annual Budget Framework which sets out the guidelines, principles and timeframe for the setting of the Council's Revenue and Capital Budget each year.
- Regular budgetary control, including undertaking twice yearly assessments of expected outturn during the year, and the quarterly reporting of the Council's financial position to the Policy and Resources Committee.
- The implementation of effective risk management principles across the Council including the annual update of the Risk Management Strategy, the quarterly review and update of the corporate risk register, and undertaking new risk assessments as and when necessary.
- The implementation of the Anti-Fraud and Corruption Policy, Confidential Reporting Policy and Comments and Complaints Policy which set out the procedures for whistle blowing, the reporting and investigation of concerns of fraud, and the investigation of complaints from members of the public.
- Effective and regularly reviewed insurance arrangements.
- The inclusion of all policy, staffing, financial, crime and disorder, equal opportunities, environmental and GDPR implications, and risk assessments, where necessary, in respect of all decisions referred to the Council or its committees or sub-committees for consideration.
- Formal information technology policies and procedures for e-mail, internet, social media, and other computer use and pro-active monitoring and review of computer servers, systems and security arrangements by the Council's information technology support company.
- Effective employment policies and procedures and competent human resources support and advice.
- Effective health and safety policies and procedures and competent health and safety support and advice.
- Robust supporting financial policies including the Treasury Management Code of Practice, Purchase Ordering and Payments for Goods and Services Policy and Income Collection and Debt Recovery Policy.
- A commitment to staff development and training via the Performance and Development Appraisal Scheme.
- A commitment to Member training.

Annual Review of the Effectiveness of the Council's System of Internal Control

Great Aycliffe Town Council has a responsibility, set out in Regulation 6 of the Accounts and Audit Regulations 2015, for conducting, on an annual basis, a review of the effectiveness of its system of internal control.

The review of effectiveness is undertaken by the corporate management team of the Council, comprising the Town Clerk, Finance Manager and Corporate and Policy Officer, who have delegated responsibility for the development, maintenance and review of the system of internal control.

The annual review of the effectiveness of the system of internal control is also significantly informed by the work of the Internal Auditor.

The Internal Auditor is responsible for ensuring all of the major services, systems and processes of the Council are reviewed annually, in order to ensure that the expected internal financial controls are in place and operating effectively.

The Internal Auditor will make comments where necessary in relation to identified weaknesses in internal control arrangements during audit reviews, and will make recommendations for improvements and report these, on a quarterly basis, to the Council's Audit, Risk and GDPR Sub-Committee for approval.

The Council currently employs a part time Internal Auditor and an annual Internal Audit Plan has been established, totalling 108 days, which identifies the individual areas of audit activity planned, taking into account an assessment of risk.

All of the major services, activities, systems and processes of the Council are examined every year to confirm that internal financial controls are operating satisfactorily and contributing to the efficient and effective delivery of services.

The review of effectiveness of the system of internal control has also been informed by reports from the Council's external auditors and other inspectorates such as OFSTED who review the pre-schools.

Reliance has also been placed upon the work of service managers within the Council, who are responsible for ensuring that the system of internal control is managed and maintained on a day to day basis.

Officers have established the following specific processes to help inform the annual review of the effectiveness of the system of internal control:-

- Incorporating all issues highlighted in the previous year's report from the Council's external auditors; Mazars LLP.
- Review of the Internal Audit Plan completed by the Internal Auditor and the recommendations made in reports to the Audit Sub-Committee.
- Scrutiny of all decisions and recommendations referred to and made by the Environment, Recreation and Policy and Resources Committees and Council during the year, including the consideration of any policy, staffing, GDPR and financial implications and any risk assessments included in those reports.
- Review of agendas and minutes of meetings of the senior officer Performance Management Group which monitors performance against aims and targets, considers and agrees budgets, undertakes the quarterly review of the risk register and considers other important corporate issues such as health and safety, GDPR, training and development, and staffing issues.
- Review of any reports of the Service Review Working Group which is responsible for appraising the relevance, quality and cost effectiveness of services provided by the Council.
- Review of the agendas and minutes of the Review Sub Committee, which is responsible for reviewing progress in achieving the Council's strategic aims and targets and for the ongoing review of all Council policies.
- Review of the quarterly budgetary control reports which have been reported to and considered by the Policy and Resources Committee.
- Review of the outcome of any special investigations or fraud investigations undertaken by the Internal Auditor during the year.

Outcome of the 2019/20 Review of the Effectiveness of the System of Internal Control

There were no material issues identified during the 2019/20 review of the effectiveness of the Council's system of internal control by the corporate management team relating to possible weaknesses in the arrangements, or any recommendations to make to ensure improvement in the controls in place.

In addition, no material weaknesses in internal control were identified by the Internal Auditor during the year, in the completion of the Annual Internal Audit Plan.

This review therefore concludes that the Council's internal control arrangements remain sound and continue to operate effectively, and it is recommended that this review of the effectiveness of the Council's system of internal control is approved.

Approval of the Review

This review of the effectiveness of the Council's System of Internal Control will be reported to the meeting of the Council on the 11th March 2020 for approval.