

ANNUAL REVIEW OF THE EFFECTIVENESS OF THE COUNCIL'S SYSTEM OF INTERNAL CONTROL

AGENDA ITEM NO

MEETING: COUNCIL

DATE: 11TH MARCH 2020

REPORT BY: CORPORATE MANAGEMENT TEAM

1.0 Purpose of the Report

1.1 The purpose of this report is to put forward for the consideration and approval of Members the annual review of the effectiveness of the Council's system of internal control for the 2019/20 financial year.

2.0 Background to the Report

2.1 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 authority is effective, and includes effective arrangements for the management of risk'*.

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

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

2.4 Undertaking a review of the effectiveness of the Council's system of internal control will ensure that the Council meets the requirements of the Accounts and Audit Regulations 2015 and provide the Council with much of the information, evidence and assurance it needs to approve the Annual Governance Statement later in the year.

3.0 The System of Internal Control

3.1 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.

3.2 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 its priorities and objectives, and delivers its services in a way that meets those objectives.

3.3 It 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.

4.0 Review of the Effectiveness of the System of Internal Control

4.1 The review of the effectiveness of the Council's system of internal control for the 2019/20 financial year is attached to this report for Member's consideration.

4.2 The review of the effectiveness of the system of internal control was undertaken by the Council's corporate management team, comprising the Town Clerk, Finance Manager and Corporate and Policy Officer.

4.3 The review was significantly informed by the work of the Internal Auditor who is responsible for reviewing all of the major services, systems and processes of the Council annually, in order to ensure that appropriate internal financial controls are in place and operating effectively.

4.4 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.

4.5 The outcomes of all audit reviews undertaken within the 2019/20 Internal Audit Plan have been taken into account, as well as any comments or recommendations made by the Council's external auditors in previous year's audit inspections.

- 4.6 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 in relation to improvements in the controls in place.
- 4.7 In addition, no material weaknesses in internal control have been identified by the Internal Auditor during the year, in the completion of the 2019/20 Annual Internal Audit Plan.
- 4.8 The review therefore concludes that the Council's internal control arrangements remain sound and continue to operate effectively.
- 4.9 It is recommended that the review of the effectiveness of the Council's system of internal control is approved and taken into account in providing the assurance that the Council requires in order to approve the 2019/20 Annual Governance Statement later in the year.

5.0 Policy Implications

- 5.1 The maintenance of an effective system of internal control and the annual review of the effectiveness of that system assists in the delivery of the following Council Aims:-

Council Aim 1 - "To provide good quality governance and management of the Council"

Council Aim 2 – "To manage the Council's finances and assets in a responsible manner".

6.0 Staffing Implications

- 6.1 The annual review of the effectiveness of the system of internal control has been prepared by the Council's Corporate Management Team, and significantly informed by the work of the Internal Auditor.
- 6.2 Service managers within the Council have a responsibility for ensuring 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 Financial Regulations and any supporting financial policies and procedures.

7.0 Financial Implications

- 7.1 The financial implications for the Council are fully set out in the report.

8.0. Crime and Disorder Implications

- 8.1 None.

9.0 Equal Opportunities Implications

9.1 The annual review of the effectiveness of the Council's system of internal control will be made available at the Council Offices and on the Council website. Copies would be made available in alternative formats upon request.

10.0 Environmental Implications

10.1 None.

11.0 Risk Assessment

11.1 Successful risk management plays an integral role in ensuring that an effective system of internal control is in place and in monitoring compliance with this.

11.2 The links between the system of internal control and the Council's Risk Management Strategy are explained in the attached review.

12.0 General Data Protection Regulation (GDPR)

12.1 There is no personal or sensitive data required for this proposal which may have any implications for GDPR.

13.0 Recommendations

13.1 It is recommended that:-

- the annual review of the effectiveness of the Council's system of internal control in respect of the 2019/20 financial year is approved by the Council; and
- The review is taken into account in providing the assurance that the Council requires in order to approve the 2019/20 Annual Governance Statement, as set out in Section 1 of the 2019/20 Annual Governance and Accountability Return later in the year.