

Report to: Bishop Middleham and Mainsforth Parish Council

Date:

Report of: Acting Parish Clerk

Subject: Review of Internal Control

1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2015 require Councils to have a sound system of internal control which:
- a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - b) ensures that the financial and operational management of the authority is effective; and
 - c) includes effective arrangements for the management of risk.
- 1.2 Councils are also required to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 1.3 Each financial year, an authority must conduct a review of the effectiveness of the system of internal control which supports the Annual Governance Statement. The outcome of the review must be reported to an appropriate meeting of the Council.
- 1.4 Although the 2015 Regulations do not require a "smaller relevant body" to undertake an annual review of internal audit arrangements, I consider that this would be a useful part of the review of internal control and have included such a review below.
- 1.5 A review for the year 2019/2020 has now been undertaken and details are provided below. This Report will be submitted for consideration by the full Council at its next meeting.

2. INTERNAL AUDIT

- 2.1 The Accounts and Audit Regulations require a Council to "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control". An annual review of the effectiveness of this system of internal audit is beneficial as part of continually improving governance and accountability. The review is designed to provide sufficient assurance for the Council that standards are being met and that the work of internal audit is effective.

Current Arrangements

- 2.1.1. The Council's current Internal Auditor was formerly Audit Manager at Easington District Council, up to its abolition, and currently provides the internal audit service for several local town and parish councils.

Review

Guidance recommends that the review of internal audit covers five categories and these are addressed below.

2.3. Scope of Internal Audit

- 2.3.1. The Internal Auditor carries out all relevant work to satisfy the requirements of AGAR and as agreed with the Parish Clerk.

- 2.3.2. A report is produced and any recommendations arising from the audits are discussed with the Clerk.

- 2.4. **Independence** – The Internal Auditor is given access to all relevant personnel and to all reports, records and supporting documents. Reports are prepared in his name and there is no influence on any recommendations made. The Internal Auditor has no other role within the Council.

- 2.5 **Competence** – The Internal Auditor is a qualified internal auditor and member of the Institute of Internal Auditors, with many years experience in public sector auditing. There was no evidence of a failure to carry out internal audit work ethically, with integrity and objectivity.
- 2.6 **Relationships** – The Internal Auditor operates independently within the Council, with freedom to decide his audit priorities and no influence is exerted on the outcome of the audit. The respective responsibilities of officers and internal audit are defined in relation to internal control, risk management and fraud and corruption matters.
- 2.7 **Planning and Reporting** – The Internal Auditor arranges planning of the work with the Clerk and is available throughout the year for advice. Reports are submitted to the Clerk and to the relevant Committee and to the external Auditors with the AGAR.
- 2.8 The purpose of the review of internal audit is to assess effectiveness, and I believe that the Internal Auditor has provided an effective internal audit service to the Council in the year 2019/2020. Audits were undertaken on each of the areas within the requirements of the AGAR and if required, recommendations were made in the action plan to improve arrangements and a report submitted.

3. INTERNAL CONTROL

- 3.1 Internal control is the range of policies, procedures and other arrangements designed to safeguard the assets of the Council, and to reduce the chances of losses through fraud, corruption and error. Internal audit is part of internal control, and this has been reviewed in Section 2 of this report. I will now address the remaining features of internal control.
- 3.2 The Council reviews its Standing Orders, which include Financial Regulations every year at the AGM, (8th May 2019) and when required, and policies are reviewed when necessary.
- 3.3 I consider that the internal control arrangements are satisfactory bearing in mind the size of the Council and the limited capability for ensuring a division of duties.

4. RISK MANAGEMENT

Introduction

- 4.1 Another element of internal control is risk management. Risk is the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies. Risk management is the process by which risks are identified, evaluated and controlled. It is a key element of the framework of governance together with community focus, structures and processes, standards of conduct and service delivery arrangements. A risk assessment review should be undertaken at least annually.
- 4.2. The Council has adequate risk management arrangements in place which is reviewed every year at the AGM (8th May 2019.)

5. CONCLUSION

- 5.1. The Council has in place satisfactory internal control arrangements, which supports the Annual Governance Statement of the Council.

6. RECOMMENDATIONS

- 6.1 In the light of the above assessment I would recommend that Members accept the report on the review of internal control arrangement in place at the Parish Council.

Parish Clerk

