

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROL

17 MAY 2017

1. INTRODUCTION

The Accounts and Audit Regulations 2015 require the Council to undertake an annual review of its internal control arrangements and report the outcome to Council. This review includes a review of the effectiveness of the Council's system for the management of risk. Regulations require a "smaller relevant body" to undertake an annual review of internal audit arrangements. A review for the year 2016/2017 has now been undertaken.

2. INTERNAL AUDIT

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.

The Council's current Internal Auditor was formerly Audit Manager at Easington District Council, up to its abolition, and provides the internal audit service for several local parish councils. The Internal Auditor carries out an annual review of our internal controls in accordance with section 4 of the Annual Return.

Guidance recommends that the review of internal audit covers the following five categories;

Scope of Internal Audit – The Internal Auditor carries out all relevant work to satisfy Section 4 of the Annual Return. A report is produced and all recommendations arising from the audit are discussed with the Clerk.

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.

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 is no evidence of a failure to carry out internal audit work ethically, with integrity and objectivity.

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.

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 Council meeting and to the external Auditor with the Annual Return.

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 Parish Council in the year 2016/2017. Audits were undertaken on each of the areas within Section 4 of the Annual Return and if required, recommendations were made in the action plan of each of the areas, to improve arrangements and a report submitted.

3. INTERNAL CONTROL

Internal control is the policies, procedures and other arrangements designed to safeguard the assets of the Council, and reduce the chance of losses through fraud, corruption and error. Internal audit is part of internal control.

The Parish Council has various policies and procedures in place which are regularly reviewed. These include Financial Regulations and Standing Orders which are agreed annually to ensure their continued relevance.

4. RISK MANAGEMENT

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 and carried out by the Council.

The Council has an adequate risk register which shows the corporate risks to the Council so as to achieve its priorities and service objectives.

5. CONCLUSION

The Council has in place adequate internal control arrangements.

6. RECOMMENDATIONS

Members are recommended to accept the report on the effectiveness of internal control.