Ferryhill Town Council
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Dear Councillor,

I Hereby Summon You to attend a **Meeting** of the **Corporate Governance Committee** at 6.00pm on **Tuesday, 4th February 2025,** which will be held at **Ferryhill Town Hall, Chapel Terrace, Ferryhill, Co Durham, DL17 8JL**

Dated 28th January 2025

Leeanne Owens
Town Clerk

Membership:
Councillors P Atkinson, K Conroy, D Farry, L Fellows, B Lamb, J Makepeace

AGENDA

1. **Apologies for Absence**

2. **Declarations of Interest**
   To invite members to declare any interest they may have.

3. **Members' Dispensation**
   To consider written requests for dispensations from members who have declared interests under Disclosable or Non-Disclosable Pecuniary Interests – Section 33 of the 2011 Localism Act.

4. Public Participation (Subject to Public Participation Policy)

Members of the public are permitted to make representations, ask questions and give evidence in respect of any item of business included in the agenda. Questions will not be received by the Council which are in furtherance of a person's individual circumstances or which are about a matter where there is a right of appeal to the courts, a tribunal or government minister. A question will not be received by the Council where the issue it concerns has been the subject of a decision of the Council in the last six months.

5. Review of Internal Control

To consider the report from the Town Clerk

ITEM NO. 5

REVIEW OF INTERNAL CONTROL	
AUTHOR:	**L. OWENS, TOWN CLERK**
COMMITTEE:	**CORPORATE GOVERNANCE COMMITTEE**
DATE:	**4th FEBRUARY 2025**

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 and prepare an 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 2024/2025 has now been undertaken and details are provided below. This Report will be submitted for consideration by the full Council at its meeting on 19th February 2025.

2. INTERNAL AUDIT

2.1 An annual review of the effectiveness of the 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

2.2 The Council’s current Internal Auditor is Mr Gordon Fletcher, who was formerly Head of Internal Audit at Easington District Council, up to its abolition, and currently provides the internal audit service for several local town and parish councils. Mr Fletcher carries out his audits in accordance with a three year audit plan which ensures that all systems within the Council are examined, based on high, medium and low risks to the Council. Mr Fletcher has been with the Council since 2011. His contract was renewed for a three year period from 1 April 2024.

Review

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

2.4 **Scope of Internal Audit** – Mr Fletcher's audit plan is prepared based on an examination of the Council's budget document and guidance on the level of risk that each of the Council's activities represents. No areas of the Council's activities are excluded from the audit plan. The Plan provides for 14 days audit work, made up of 12 days on specific audits and audit follow-ups, one day for administrative work and a day for contingencies. Mr Fletcher presented his Plan for the year 2024/2025 to Full Council on the 21 February 2024. During the year to the end of December five of the planned audits have been completed. The completed audits cover Payroll, Cemeteries, Income Collection and Banking Arrangements, Accounts Payable and Accounts Receivable. All recommendations arising from the audits are discussed with the relevant officer and the Town Clerk, and all reports have been submitted for consideration by the Corporate Governance Committee. The Committee requires confirmation by follow-up audits that all agreed recommendations have been actioned.

2.5 **Independence** – Mr Fletcher 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. Mr Fletcher has a direct reporting line to the Corporate Governance Committee and he has no other role within the Council.

2.6 **Competence** – Mr Fletcher 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.

2.7 **Relationships** – Mr Fletcher operates independently within the Council, with freedom to decide his audit priorities and no influence is exerted on the outcome of any audit. However, it has been agreed that the Corporate Governance Committee may refer matters to the auditor where necessary, and may consider draft terms of reference for each audit prior to them being carried out. The respective responsibilities of officers and internal audit are defined in relation to internal control, risk management and fraud and corruption matters.

2.8 **Planning and Reporting** – as I have said, the audit plan takes account of all of the risks facing the Council. The completed audits were undertaken between September 2024-December 2024. The remainder will be completed by February 2025.

2.9 The purpose of the review of internal audit is to assess effectiveness. I believe that Mr Fletcher provided an effective internal audit service to the Town Council in the year 2024/2025. Audits were undertaken on each of the high risk areas within income and expenditure, recommendations were made in each of the audits to improve arrangements and all of the reports were submitted to Members at the Corporate Governance Committee.

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 though 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 Town Council has policies in place for Anti-Fraud and Corruption, Whistle-blowing, Treasury Management, Data Protection, Gifts & Hospitality and a range of others in the categories of Corporate, Finance, Consultation, Freedom of Information, Health & Safety, Members, Personnel and Services. Standing Orders, Financial Regulations and Standing Orders – Contracts and Procurement are reviewed at each annual Council meeting.

3.3 During the year Members approved policies for Flexible Working, Lone Working and Equality and Diversity.

3.4 It is intended that the Corporate Governance Committee will continue its role in ensuring that all Policies are up to date and are reviewed in accordance with the agreed schedule.

3.5 All of the five audits that have been completed so far have resulted in full assurance been given.

3.6 I consider that internal control arrangements are adequate, bearing in mind the size of the Council and the limited capability for ensuring a division of duties.

4. RISK MANAGEMENT

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 and this is the review for the year 2024/2025.

4.2 Risks are identified in seven categories – management, finance, assets, liability, employees, members and services. The format of the Risk Register (attached as an appendix) has been changed and simplified. The previous columns that identified responsibilities for the risks, a timescale for the implementation of suggested improvements and the likelihood/impact columns have been amended. The timescale column has been deleted because the management of risk is ongoing and the need to implement a specific task in relation to risk management by a specific date is not on its own a key factor.

4.3 The new format has the following columns, column 1 allocates a unique reference to each risk. Colum 2 identifies the nature of the risk. Column 3 gives a brief indication of the possible impact and consequences of the risk. Column 4 describes the controls currently in place. Columns 5, 6 and 7 indicate to what extent the risk is likely to occur and the impact if it does. The score for the likelihood ranges from 1 to 4 with 1 being unlikely, 2 being possible, 3 being likely and 4 being almost certain to occur. The score for impact also ranges from 1 to 4, with 1 being minor, 2 being serious, 3 being significant and 4 being major. The two scores are then multiplied together to give a risk score. The risk score can range from 1 (1 multiplied by 1) to 16 (4 multiplied by 4). The scores are based on the current controls in place. Anything that scores 6 and above has been highlighted in the risk register attached.

4.4 The scoring has not involved staff or Members and to make the register more complete and effective this should be the case. It is suggested that it should be considered at staff meetings and should fall within the remit of the Corporate Governance Committee. This is because staff have more involvement in handling risks at the operational level while Members roles are more at the strategic level.

5. ANNUAL GOVERNANCE STATEMENT

5.1 The Accounts and Audit Regulations require an authority to prepare an annual governance statement. This is included as part of the Annual Governance and Accountability Return (AGAR), but the Regulations require a council to approve the statement prior to the approval of the statement of accounts. As was the case last year I intend to provide a report on this to the Council in April.

6. CONCLUSION

6.1 Having adequate systems of internal control in place and undertaking a review at least annually are statutory requirements on Councils. Systems include appropriate policies and procedures, internal audit and risk management .The aim of effective internal control is to reduce the potential risk of loss through error, fraud and corruption.

6.2 Managing risks effectively offers a number of benefits to the Council. It is not just about insurance or health and safety. Studies have shown that insurable risks account for only around 25% of an organisation's total risk profile. Effective risk management provides a means of improving strategic, operational and financial management. It can help to maximise opportunities and minimise loss events which might result in financial losses, service disruption, bad publicity, threats to public health and safety or claims for compensation.

7. RECOMMENDATIONS

7.1 In the light of the above assessment I would **RECOMMEND** that Members:

a) note the contents of the report in terms of the review of internal audit and internal control;

b) support the principle of ensuring that effective risk management takes place in the Council;

c) consider the risk register and propose any changes required.

Leeanne Owens

Town Clerk