



**Policy and Finance Committee**

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**Date:** 20 June 2022

**Title:** Annual Review of governance and internal controls

**Purpose of the Report:** To provide assurance to Committee in recommending approval of the Annual Governance Statement to Council.

**Contact Officer:** Mark Saccoccio, Town Clerk  
Sarah Sandiford, Deputy Town Clerk  
Clare Cummins, Finance Officer

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<b>Corporate Objective/s</b>	<b>To consolidate processes and procedures, ensuring operational efficiency.</b>	
<b>Implications:</b>		
<b>Financial</b>	None	
<b>Human Resources</b>	None	
<b>Operational/Service delivery</b>	Yes	Procedures remain fit for purpose in terms of risk management and internal control.
<b>Legal</b>	Yes	To ensure the Town Council has proper practices in place in accordance with legislation and guidance.

**1. RECOMMENDATIONS**

- 1.1 To note the report.**
- 1.2 To endorse amendments to the Town Council’s credit card procedure including an increase in overall expenditure limits and officer authorisation limits (shown in red in Appendix A);**
- 1.3 To endorse minor amendments to the Town Council’s Risk Management and Internal Controls statement (shown in red in Appendix B);**
- 1.4 As set out in Financial Regulation 6.6, to endorse the continued use of variable Direct Debit payments for supply of services such as utilities (to be authorised by two signatories and payments reported to committee).**

- 1.5 **As set out in Financial Regulation 6.7, to endorse the continued use of BACS or CHAPS payments as deemed appropriate (to be authorised by two signatories and payments reported to committee).**
- 1.6 **To recommend to Council to endorse minor amendments to Standing Orders in respect of public contract thresholds, as set out in paragraph 5.**
- 1.7 **To recommend to Council to endorse amendments to Financial Regulations as set out in paragraph 6, including an increase to officer authorisation thresholds for operational reasons.**

## **2. BACKGROUND**

- 2.1 Parish Councils are required to complete and sign an annual statement of governance prior to approving the annual statement of accounts, in accordance with The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015.
- 2.2 The statement gives assurance that the Council has an adequate system of internal control in place, as well as effective measures for financial management during the year.
- 2.3 In accordance with the regulations above and as set out in the Town Council's Financial Regulations (available on the website), the Council has established a Statement of Risk Management and Internal Control (adopted by Council in April 2018). Since its adoption in 2018, the said control document has been the subject of its bi-annual review (approved by Policy and Finance Committee in July 2020).
- 2.4 The Statement sets out the various procedures and measures in place to determine and mitigate different risks, as well as clearly defining the roles and responsibilities of Council, Committees, Councillors and Officers in the ongoing financial management of the Council.
- 2.5 Financial Regulation 1.6 stipulates that the Council must review the effectiveness of its internal control system at least once a year, prior to approving the Annual Governance Statement and that the system of internal control shall be in accordance with proper practices.

## **3.0 UPDATES**

- 3.1 A review has been undertaken of the Town Council's credit card procedure. Recent supply chain issues with chemicals essential to the operation of the Splash & Play facility have demonstrated a need to increase the overall expenditure limit of the cards. It is further proposed to increase the limit at which Member authorisation is required (but this is still significantly lower than the amount which officers may authorise by other payment methods as a safeguard).

- 3.2 No issues have arisen as a result of the internal auditor's interim or final reports for the year ending 31 March 2022.
- 3.3 The five-year contract with the internal auditor does not currently require review.
- 3.4 At its meeting held 31 January 2022, the Council was presented with the annual Risk Register which had been revisited to ensure it remained accurate, up-to-date and fit for purpose. Each specific area of risk had been re-evaluated. The Risk Register action plan for 2022-23 was approved and a report will be provided to committee mid-way through the year.
- 3.5 The Council's investment strategy received its annual review and was endorsed by Council on 25 April 2022.
- 3.6 Also at its meetings on 25 April 2022 and 16 May 2022, Council resolved to approve changes to the scheme of delegation and committee terms of reference to reflect authorisation to spend from appropriate earmarked reserves. This now needs to be reflected in Financial Regulations.
- 3.7 Officers have reviewed the requirements of the Accounts and Audit Regulations 2015 and Local Government Transparency Code 2015. A number of actions have been identified relating to information which must be published on the Town Council website. This work is anticipated to be undertaken before the September meeting of the committee.

#### **4. STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL**

- 4.1 The Statement was adopted by Council on 16 April 2018 and last reviewed by this committee in July 2020. It is considered to remain fit for purpose with recommendations for several very minor changes in wording as shown in red on the attached document.
- 4.2 The Committee is asked to note that should the other recommendations at paragraph 1 be approved (i.e. changes in authorisation limits), then the flow charts on the document will be amended accordingly.

#### **5. STANDING ORDERS**

- 5.1 There are no changes to the NALC Model Standing orders and the Town Council's Standing Orders were reviewed in full by a Task and Finish group in 2021-22.
- 5.2 The only proposed changes therefore are in respect of the applicable thresholds for contracts as referenced in section 18 (h) and 18 (i):

18 (h):

Public contracts – change from £189,330 to £213,477

Public works contracts – change from £4,733,252 to £5,336,937

18 (i):

Public supply or service contracts – from £378,000 to £426,995

Works contracts – from £4,733,252 to £5,336,937

Social and services contracts – £663,540 (unchanged)

Source: <https://tinyurl.com/ytf6yt2w>

- 5.3 As mandatory legal requirements, these changes may be approved by Council at its next meeting without having to stand adjourned (S.O. 26b).

## 6. FINANCIAL REGULATIONS

- 6.1 There is no update to the Model Financial Regulations issued by the National Association of Local Councils in August 2019.

- 6.2 The annual update to applicable thresholds for contracts needs to be updated as follows (as referenced in section 11.1 (b) footnote 3):

Public supply and public service contracts – from £189,330 to £213,477

Public works contracts – from £4,733,252 to £5,336,937

- 6.3 The recent changes approved by Council to committee terms of reference and scheme of delegation in respect of standing committee authority to spend from appropriate earmarked reserves needs to be added to Financial reg 4 (Budgetary control and authority to spend).

- 6.4 For an organisation of this size, the current £5,000 expenditure limit necessitates approval by authorised signatories more frequently than might be considered ideal or practicable, sometimes resulting in delays with a potential operational impact.

- 6.5 A review of expenditure limits of 8 comparably sized town councils indicates a range of authority limits for the Clerk/RFO ranging from no limit (up to the limit for that class of expenditure as set out in the approved revenue budget) to £25,000, and for authority for emergency expenditure (not in revenue budget) from £2,500 to £25,000.

- 6.6 The Committee is asked to consider amending the authority to spend limits set out in Financial Reg. 4.1 as follows. This applies only within the limits of cost centres in the agreed revenue budget, or for expenditure from an earmarked reserve where committee approval has already been given by resolution.

**Heads of Service up to £7,500**

**Town Clerk up to £10,000**

- 6.7 The Committee is further asked to consider amending the authority to spend in cases of extreme risk to the delivery of council services including repairs or replacements, per Financial Reg. 4.5 **from £2,500 to £10,000.**

6.6 Petty cash: the Committee is asked to consider amending Financial Reg. 6.17 (d) in respect of petty cash to remove reference to the Astral Park Sports and Community Centre as this is no longer required.

## **7. CONCLUSIONS**

7.1 The Town Council continues to have strong and effective systems in place for internal control, risk management and financial management as required by legislation and best practice requirements.

7.2 The Committee is asked to consider the recommendations as set out in paragraph 1.

7.3 The Committee is asked to consider recommending to Council approval of the Annual Governance Statement for 2021-22 (section 1 of the Annual Governance and Accountability Return).

**End.**