

## **Statement on Internal Control – Epping Town Council**

### **Scope of Responsibility**

Epping Town Council's arrangements for internal control are designed to comply with the Accounts and Audit (England) Regulations 2011 and the Local Audit and Accountability Act 2014. Epping Town Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. To facilitate these objectives, the Council seeks to ensure there is a sound system of internal control which includes arrangements for reporting and managing risks.

### **The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level. It is not practical to design a system which could eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

### **The Internal Control Environment**

Epping Town Council is a relatively small public body with limited resources and the internal controls are relatively modest with a focus on simplicity so as to reflect the identified risk of regulation becoming more important than achievement. Key elements are summarised below:

### **Setting Objectives**

Many of the Town Council's services run from year to year with a minimum of change and it is a major objective of council to ensure the provision of these services is not disrupted. Policy and service reviews as well as operational issues affecting the financial position of Council are discussed and decided at Ordinary meetings of Council and recorded in the minutes of meetings. A half-year budget position is recorded annually at the Corporate Governance Advisory Committee meeting to further focus spending in the second half. Such decisions will create a series of cumulative factors to be taken into account in the annual budget process which starts in the autumn period and culminates with the setting of a precept in January. As well as setting a budget for the next financial year, an attempt is made to predict the position for the following year. This information is used to help Council to appreciate the longer term impact of its decisions. At the Annual Meeting of Council in May 2019, Council approved an Action Plan (2019-2023) to coincide with election terms, to help manage their objectives and budget accordingly on a longer term basis. (Minute #19 of 2016/17 refers). This will be developed by the Council of 2019-2023, as projects complete and new priorities emerge. The Covid 19 coronavirus health situation has taken priority in 2020, as Council continues to manage their services and functions through much uncertainty. By very close monitoring, Council have managed to progress the Stonards Hill tennis court project in addition to difficult operational circumstances.

### **Monitoring the use of Resources**

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Following the closure of the previous year's accounts, the Clerk provides to each Ordinary meeting (monthly) of council, a summary and a detailed financial report showing actual income and expenditure against the budget predictions. The report is presented by the Key Member for Finance. (see below). All cheques are signed by two Members of council and payments are authorised at Ordinary meetings of Council.

### **Financial controls**

Epping Town Council have an income and expenditure of approximately £650,000 to £700,000 and as a result, are not covered by the £85,000 Financial Services Compensation Scheme (FSCS). Council's main bank operating bank account is with the Cooperative bank. Council have a second 'online' bank account with the Cooperative bank, which is kept to a £1000 balance with one controlled debit card. For many years Council banked with Barclays, but due to high charges, the Cooperative account was opened in 2016. Epping Town Council still hold a savings account with Barclays and a Mixed Payment Plan/ e-Payments Plan (current account) which is used in a very limited way. Epping Town Council hold a savings account with the Nationwide Building Society. Epping Town Council closed their Santander business Bond in 2020, due to the low interest rate and moved the money to the Nationwide savings account. Monies are deposited with three different financial institutions to spread the risk should one institution fail.

### **Town Clerk's Role**

Council has appointed a Town Clerk (and Responsible Finance Officer) and council ensures an adequate training budget is in place to maintain the Clerk's competence. The Town Clerk & RFO role is a statutory one, which Council must have. The Clerk has key responsibilities to provide guidance to council at its meetings and day to day management of council's staff and services. In consultation with Council and Council's independent internal auditor, the Clerk has arranged for the provision of an independent audit process in accord with a plan approved by Council. Policies are available in policy documents, procedures and minutes of Council and the Clerk must manage the council's resources on the basis of these documents. Procedural issues are the subject of the Council's Standing Orders and Financial Regulations. Although the Council has only a small staff, an effort is made to segregate key functions where necessary such as raising orders from authorising the payment of invoices. In addition to ongoing training for its Clerk, council offers relevant training to all other staff so as to ensure a high level of general competence. The Town Clerk received her Clerk's qualification in 2016 (CiLCA 2015). Council's Planning & Events Officer received her CiLCA in 2020 and all staff are offered relevant training to help them in their roles and with development. New members of office staff are trained by the Clerk and external providers and grounds staff are trained by the Town Supervisor/Cemetery Superintendent and external providers.

### **Risk Register**

Council faces a variety of risks in carrying out its activities. Council seeks to mitigate its risks by assessing the likelihood and seriousness of perceived threats and hazards and taking action or altering procedures to mitigate these threats and hazards (insofar as is reasonable). Council maintains and regularly reviews a risk register which lists classes of risks and the Council's responses to those

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risks. It is an important aspect of the Council's internal auditor's work to examine the register and advise Council if he/she feels the register or responses are inadequate. The risk register is reviewed on an annual basis by the Corporate Governance Advisory Committee (see below) which will take into account any recommendations from the internal auditor. The Advisory Committee makes appropriate recommendations to Council as needed.

### **Finance Key Member**

To improve scrutiny and to provide a useful and knowledgeable link between the Clerk and the Council, a 'Key Member' has been appointed for finance issues. The Key Member will discuss and monitor financial matters and it is usually this Member of Council who will present reports on financial matters to Council. If the Clerk is given delegated authority to make a decision on a financial matter, the decision will be made in consultation with the Key Member for Finance.

### **Corporate Governance Advisory Committee**

In 2005/06 Council set up the above committee which is scheduled to meet twice per year. The advisory committee comprises the Mayor, Deputy Mayor, Key Finance Member, Administration Key Member and Town Clerk (non voting). Its purpose is to examine in detail audit reports and any other matters related to the governance of Council which Council may pass for its attention. Its recommendations are passed to the next Ordinary meeting of Council for decision.

### **Other Resources**

Council is not large enough to have its own internal lawyer or accountant. However, to augment the Clerk's knowledge, Council does have access to local lawyer's and legal advice from the National Association of Local Councils (NALC) for specific Council legal advice. Council has provided a budget to ensure relevant professional advice can be obtained as needed. Council also has access to advice, training and information from both the county and district councils and in particular advice from the District Council's Monitoring Officer. Council is a member of the Essex Association of Local Councils which provides cost effective and relevant training to officers and Members in addition to the National Association of Local Councils for direct access to legal advice. Additionally, Council maintains a number of memberships to professional bodies. There is also a budget for Member training to aid robust behaviour and decisions.

### **Independent Internal Audit**

Council first appointed Mr Stuart Pollard of Auditing Solutions Limited as its independent internal auditor in 2002 and a new five year audit programme was approved by Council on 19th October 2010 (Minute #226 of 2010/11 refers). By agreement with the auditor, this programme required approximately four days audit time for completion. Council set aside funding for four days work plus a contingency of a further day in each year to ensure all work can be satisfactorily completed. The programme was designed to scrutinise every operation of Council at least once during the five year period. However, in accord with an assessment of risk, the main functions and key financial systems of Council are examined on a much more frequent basis. To assist the auditor's understanding of the Council, all council agendas are copied to the internal auditor. Stuart Pollard has many years of experience with the District Audit organisation where

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he was responsible for Local Government and Health Care Trust audits. Auditing Solutions Limited is a private company with its base in Wiltshire. Neither Auditing Solutions Ltd, as a company, nor Stuart Pollard, as an individual (nor any of his associates), have any private or business relationship with the Town Council or its Members or Clerk, other than as council's auditor. The Internal Audit Arrangements were reviewed on 27<sup>th</sup> October 2015 by the Corporate Governance Advisory Committee as the existing programme was due for renewal and recommendations made to Council. Council appointed Auditing Solutions Ltd, for a further five years, from 2015 until 2020 (Minute #267 of 2015/16). It is recommended to change auditors periodically to avoid familiarity of personnel and processes. This is managed by a regularly changing visiting auditor, with a different background and focus. Changing legislation and experience also provide a natural change in focus. Auditors do look at different aspects of Council's work at each visit and this varies year on year.

### **Insuring Assets**

The Council's assets are checked each year and listed in inventories which are then summarised in the Asset Register. Major assets (usually those with a purchase value greater than £1,000) are recorded individually in the Asset Register as 'Fixed Assets.' Disposals are also formally recorded. Annually, Council considers a reconciliation of the asset values against insured values and adjusts insurance cover to ensure insurance is maintained at an adequate level. Council also recognises it is not cost effective to provide insurance for all assets and reviews decisions not to provide insurance for some items on an annual basis. The Clerk speaks to the insurers on a regular basis, prompted by a new event, item or responsibility and builds this onto the insurance protection. Cyber insurance was put in place in 2019.

### **Ongoing legislative risk analysis**

Epping Town Council considers legislation on a regular basis and particularly so in 2020, during the Covid 19 coronavirus health situation. Council manages its operations in accordance with legislation and any legislative restrictions, balancing the provision of services and functions alongside the careful management of money, with safety and best practice as the priority.