Mid-Year Review of Effectiveness of Internal Control Systems Policy

Background

1) **The Accounts and Audit (England) Regulations 2015 aims to improve/strengthen governance and accountability via internal control and audit requirements.**
Regulations require:
'Active participation by members in providing positive assurance to the electors of their stewardship of public money. The framework of accountability is risk-based ie the level of control and management must be appropriate to the risk involved. The Town Council must determine the most appropriate method of internal control….care should be taken to ensure that internal control tests are proportionate and relevant and that they are not seen as, nor intended as, undue interference in the Responsible Financial Officer's (RFO) day to day management of financial affairs.'

Arlesey Town Council holds responsibility for ensuring its business is conducted in accordance with law and proper standards, and that public money is:

i) safeguarded
ii) properly accounted for
ii) used economically, effectively and efficiently.

This overall council responsibility and the discharging thereof incorporates responsibility for ensuring adoption and observation of sound system of internal controls in accordance with Part 2: Regulation 3 of the Accounts & Audits Regulations 2015 states:

"A relevant authority must ensure that it has 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."

1.1. Part 2: Regulation 6 (2) of the Accounts & Audits Regulations 2015 states:

"If the relevant authority referred to in paragraph (1) is a Category 1 authority, following the review, it must

(a) consider the findings of the review required by paragraph (1)(a) —

(i) by a committee; or
(ii) by members of the authority meeting as a whole".

1.2 The Transparency Code for Smaller Authorities 2014 Parts 2, 2.1 and 2.2 stipulate recommended practice for local authorities and sets out required publication of information concerning discharge of functions. ‘Local authority’ includes Town/Parish Councils with gross annual income or expenditure (whichever is higher) exceeding £200,000.

2) The Town Council’s ‘Systems of Internal Control’

The system of internal control is intended to mitigate risk to the lowest acceptable level opposed to eliminating all risk of failure to achieve policies, aims and objectives whilst achieving/delivering policies, aims and objectives – as such reasonable not absolute assurance of effectiveness can be provided. The internal control system is an ongoing process to:

i) identify and prioritise risk to achievement of Council’s policies; aims; objectives.
ii) evaluate likelihood of identified risks being realised and resultant impact of fruition.
iii) manage risk efficiently, effectively and economically.

2.1. The Town Clerk/RFO has been appointed the *‘Proper Officer’* of the Council as required within the Local Government Act 1972 s151.

2.2. Arlesey Town Council (ATC) has appointed a Town Clerk/Responsible Financial Officer (RFO) to advise and guide them on achieving and maintaining proper practices.

2.3. In accordance with statute, the RFO determines on behalf of the council its accounting records, and accounting control systems.

2.4. The Town Council has adopted prescribed and local systems of internal control which have been categorised under the following headings:

- Legislation
- Proper Practices
- Governance Documents & Policies
- Administrative Procedures
- Reporting Practices
- Risk Assessment & Insurance
- Overview & Scrutiny

2.5. The Council has examined ~~all~~ the above areas as part of this review and its findings are detailed in the table contained within the following pages.

2.6 The internal controls in place are compliant with Proper Practices and councils adopted Standing Orders and Financial Regulations which are reviewed at least annually.

2.7 Responsibilities

Council: governed by financial regulations which set out the conduct of council’s financial transactions, which may be amended by council resolution. Council is responsible in law for ensuring that’s its financial management is adequate/effective and a sound system of financial control is adopted, facilitating the effective exercise of its functions, including arrangements for management of risk and prevention/detection of fraud/corruption.

Responsible Financial Officer (RFO): under direction of Council, is responsible for administration of Council's financial affairs, ensuring compliance with agreed accounting control systems, maintenance of accurate accounting records and timely production of financial management information in accordance with proper practice.

3) Effectiveness of Internal Controls

Part 2: Regulation 6 (1) of the Accounts & Audits Regulations 2015 states:

"A relevant authority must, each financial year —

(a) conduct a review of the effectiveness of the system of internal control required by regulation 3"

However, Arlesey Town Council approved to conduct a Mid-year review and an end of year review of effectiveness of internal controls to mitigate risk further so that no risk should go unnoticed for a period of greater than 6 months.
Responsibility for conducting the (at least) annual review of effectiveness of internal controls lies with council and is informed by work of:

- Finance and General Purposes Committee
- Full Council
- Clerk/RFO – who develops and maintains format/process of internal controls and management of risk.
- Independent internal auditor- specifically reviews internal controls as required for Part C of the Annual Governance and Accountability Return.
- External auditor appointed by SAAA – conducting final checks using the Annual Return form – signed by RFO, Chairman and Internal Auditor.
- Any significant issues raised in financial year.

External Audit conclusion/report[1] and completion certificate are reported to council during a full council meeting and published electronically and in hard copy on parish noticeboards.

4. Council Objectives (For comprehensive information see Arlesey Town Council Strategy/Mission Statement)

- **Planning**-Provide an informed local perspective on development proposals within Arlesey by making timely representations to the local planning authority on all planning and allied applications and possible unauthorised uses to both preserve and improve the built environment as well as to protect undeveloped areas. To protect and improve the character of Arlesey and only to promote controlled and sustainable development for Arlesey.

- **Open spaces** -Provide or assist with the provision of such facilities as are necessary to enable users to fully utilise and derive benefit from available open spaces. Manage and maintain council land and property holdings to a high standard and varieties of uses. Provide allotment facilities necessary to meet the needs of residents. Satisfy the burial needs of Arlesey efficiently and sensitively and maintain the cemetery to a standard commensurate with the proper expectations of visitors.

- **Working with others** -Foster a socially inclusive and caring community which embraces all residents seeking to develop their well-being, knowledge, understanding and mutual co-operation. Engage with residents in open dialogue supporting communication by a diverse range of means to ensure the council understands the

[1] Local Audit and Accountability Act 2014 Schedule 7 Para 2,

needs, aspirations and concerns of the community it serves. To encourage and promote the economic and commercial viability of Arlesey working in partnership with other statutory bodies, voluntary groups, agencies and individuals to ensure an improving standard of services to meet the needs of residents. interests of Arlesey or its residents.

- **Highways, footways & lighting -**Identify and alert the responsible authority to the need for urgent maintenance or repair of the highway, footway and street lighting networks within Arlesey

- **Organisational effectiveness** -Conduct council business in an efficient, transparent and accountable manner, providing demonstrable value for money with regard to the limitations of its statutory powers/responsibilities and with regard to available resources.
  Maintain the highest standards of financial management, human resource management and probity. Exercise all ~~of the~~ council's functions with due regard to their likely effect on, and the need to, prevent crime and disorder.

5. Review of Effectiveness of Internal Control Process defined:

The Council

1 Identified its objectives.
2 Identified potential risks to achieving agreed objectives and priorities and considered potential consequences of risk remaining/going undetected. and ways to mitigate to an acceptable level.
3 Decided upon internal control methods to mitigate risk and consequences to the lowest acceptable level.
4 Applied internal controls.
5 Monitored internal control operation/functionality.
6 Conduct a Review of Effectiveness of Internal Control.
7 Report review to the public via publication electronically and through noticeboards, and complete Annual Governance Statement assertions as appropriate, following review -part of Annual Governance and Accountability Return.
8 Apply principles of Good Governance through process (See Below)

1.Understanding its function in delivering organisational purpose

2.Working as an effective team

3.Maintaining control, making effective decisions and managing risk

4.Acting with Integrity

5.Being open and accountable

(Source NICVA 2022)

Policy reviewed 16th September 2025

Mid-year Review of Effectiveness of Internal Systems of Control – Year 2025-2026

3) Mid- year Review – Year 2025-26

1.1. Legislation	
Existing Controls	**Ongoing Development**
• ATC is a paid-up member to the Bedfordshire Association Town & Parish Councils (BATPC), the county association of the National Association of Town & Parish Council's (NALC) who work to represent, advise and guide local councils at a national level. • BATPC provides timely notification to the Council on changes in legislation which may affect the Council's lawful discharge of its duties. The Clerk reports all such communications~~,~~ to the next meeting of the Town Council. • ATC hold latest copy (13th Edition) of **Arnold-Baker's 'Local Council Administration'** published by LexisNexis. This publication provides definitive guidance on local council law and procedures. • Document retention policy adopted March 2019. • Clerk qualified to Level 4 Community Governance standard and currently undergoing Level 5 studies.	• 'Powers of Town Councils' to form part of a 'New Councillor Pack' as detailed in the 'Development' section of 3.2. below.
1.2. Proper Practices	
Existing Controls	**Ongoing Development**

• ATC hold a current version of the 'Governance & Accountability for Smaller Authorities in England (March 2025 and its Clerk/RFO and members are aware of the importance of this document in relation to the Council's proper governance of its affairs and the stewardship of resources under its care. • ATC subscribe on behalf of the Town Clerk to membership of the Society of Local Council Clerks (SLCC) who provide access to advice notes, experienced sector advisors, training & professional development, and local branch meetings. • The Town Clerk/RFO is CiLCA and Level 4 Community Governance qualified, providing the necessary skill sets to undertake the role and is an active member in the Bedfordshire branch of SLCC. Assistant Clerk has completed iLCA qualification. • All members have either attended 'Councillor Training' or agreed to do so and the current Chairman o has attended Chairmanship training courses. A written record of attendance is kept within the office. Councillor training is secured for new councillors as part of induction for position of office. Chairmanship training to be arranged for councillors that have not previously attended. • ATC members have been provided with a copy of 4th edition of the 'The good councillor's guide' jointly produced by NALC/SLCC'. An electronic version of this guidance has been uploaded to the 'Documents' page of ATC's website. • New Councillor packs issued to newly elected/co-opted members contains key governance documents, adopted policies, and acknowledged guidance publications. Cllrs sign to acknowledge receipt and understanding. • ATC has adopted the guide 'Being a good employer' and an e-version of this guidance has been uploaded to the 'Documents' page of ATC's website and committed to the Civility and Respect Pledge. • Bank balances (excluding the current account) are retained within protection limits of FSCS with new accounts approved for opening and fund transfers approved by resolution of full council. • General Power of Competence adopted following eligibility criteria being met. • Council review and monitor finances at each monthly meeting, approves budget for subsequent year at December/January meeting and approves precept level determined via budget setting process.	• Progress commitment to working towards accreditation under the 'Local Council Award Scheme''. • Define a succession planning framework to include Chairmanship training for councillors and to ensure achievement of CiLCA qualification by an additional employee(s). .

1.3. Governance Documents & Policies

Existing Controls	Ongoing Development
• ATC adopted a **'Code of Conduct'** (Localism Act 2011) and reviewed the policy in June 2025. Schedule 1 of the adopted 'Code' deals with the disclosure of pecuniary and non-pecuniary members' interests.	• 'Committee Terms of Reference' to be reviewed by ATC and formally adopted prior to reinstatement of Committees following increase in membership.

• ATC reviewed and adopted latest NALC Model **Standing Orders 20th May 2025**. This document includes statutory regulations governing the calling/conduct of meetings and members conduct/declaration of interests. • ATC reviewed and adopted **Financial Regulations 20th May 2025**. This document controls the fiscal activities of the Council to provide accountability, deter misappropriation of funds, and controls expenditure. • ATC reviewed and amended adopted **Committee Terms of Reference** at the Annual Meeting of Town Council held on **20th May 2025**. Council numbers cannot sustain any Committees other than Personnel and Appeals Committees at present, but it is ensured that each committee comprises different members- no member can sit on both. However, a review of Terms of Reference will be performed prior to Committee reinstatement when membership numbers allow. • **During 2025/26, ATC reviewed and/or adopted the following policies**: - Complaints Procedure – Reviewed January 2025. - Disciplinary Rules Procedure Policy – next review February 2026. - Staff Grievance Procedure Policy – next review March 2026. - Employee Dress Code Policy – next review March 2027. - Training & Development Policy – July 2025 • **ATC has previously adopted the following management policies:** - Freedom of Information Publication Scheme – July 2025 - Protocol on Member/Officer Relations – May 2025. - Child Protection Policy – due for review March 2026. - Local Government Pension Scheme (LGPS): Employer Discretion Policy Statement. - Dignity at Work Policy – next review due October 2025. - Town Council Strategy (with *appendices detailed below) July 2025. - Community Engagement Strategy (*Appendix 1) – July 2025 - Press & Media Policy (*Appendix 2) – July 2025 - Health & Safety Policy – March 2024. - Grants Policy & Procedure – Feb 2025. - Social Media Policy –for review October 2025. - Annual Investment Policy 2025/26 – February 2025. - Town Councillor Co-Option Policy – January 2025. - Anti-Fraud, Bribery & Corruption Plan –February 2025 - Land & Property Acquisition Policy – due for review January 2027 - Internal Audit Terms of Reference – February 2025 to be combined with year-end review of Effectiveness of internal controls. - Equality Policy – reviewed March 2024 due for review March 2026.	• Cllrs and Officers to attend diversity and inclusion training with addition of neurodiversity management.

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- General Privacy Notice – February 2025 - Data Protection Policy – June 2023 due for review June 2026. - Health Capability Procedure – January 2023 due for review October 2026. - Council committed to the Civility and Respect Pledge January 2023. • Council adopted a strategic plan 2025 to provide direction and transparency/accountability. Policy to be reviewed July 2027 • S137 Policy amended to state receipts must be provided or funds returned to safeguard misappropriation of public funds. • Councillors are reminded to review their declarations of interest at each Annual Meeting of the Town Council and provide a written copy to be retained in the council office.	
1.4. Administrative Procedures	
Existing Controls	**Ongoing Development**
• Job Descriptions provide the scope of responsibility for each employee, and training is arranged where necessary, annual appraisals conducted monitoring performance. • All payments made are verified by 2 members and the Clerk after being raised by Assistant Clerk. • A 'Purchase Order' system is in place to record orders placed and services received and authorised by Town Clerk prior to order being placed. • All monies received are recorded/receipted in a post in record, kept locked in a safe and banked regularly – cash payments are not encouraged, electronic receipts are preferred. • Debtors & Creditors are monitored monthly, and overdue accounts are followed up and communications logged. • Bank reconciliations are undertaken monthly and verified by a member of the Council who has not been a signatory for payments that month. • Cash Books, Purchase Ledger/Sales Ledger Day Books, and Trial Balances are printed monthly. • VAT Returns are submitted quarterly using making tax digital, repayments are tracked to ensure receipt. • Payroll is produced monthly using MONEYSOFT payroll software and is verified by 2 members. • Holiday entitlements are reviewed and verified by Chairman of Council during period without committees.	• Key functions to be documented in 2025/26: - Financial records data entry & maintenance - Cemetery management & record keeping – - Resource Centre management - Play area & outdoor equip. management - War memorial management - Open Spaces management - Street Furniture management - Street Lighting management - Personnel management - Asset management - Risk Assessment - Reporting practices • An 'Administration Schedule' to be prepared during 2025/26 to set out the key dates and tasks of the Council's calendar. • A staff/member wellbeing policy to be drawn up and adopted. • Continuity of service policy to be created to ensure council protected should there be prolonged periods of Clerk absence.

• A ‘Maintenance Schedule’ provides to ensure the Council’s property is properly maintained. • Adjustments to staff salaries/pay scales are approved by resolution during full council meeting. • Accounts for payment sheet signed and crossed through at meeting approved to prevent amendment after approval. • Companies hiring Council facilities pay in advance of facility use with companies house checked to ensure organisations finances and stability are secure in the event that their procedures do not enable pre-payment. • Payments/re-imbursements made outside regular monthly payment date to ensure no duplications.	
1.5. Reporting Practices	
Existing Controls	**Ongoing Development**
• Each ordinary meeting of the full Council reviews: - Balance Sheet – stating Cash Funds held, Debtors & Creditors and Earmarked Reserves. - Year-to-date ‘Income & Expenditure vs Budget’ report - Payment of Accounts - verified by 2 members and Town Clerk/RFO. • Year-end Accounting Statements, Bank Reconciliations, and Significant Variances are annually reported to Council for approval by 30th June each year. • An Internal Audit Report was acknowledged and actioned by ATC on **17th June 2025.** • The External Auditors conclusion was reported to Council 15th October 2024– No issues raised. The conclusion of audit 2024/25 is awaited, to be reviewed October 2025.	• Clerk to provide a briefing to members in June each year, to assist in the completion of the Annual Governance Statements (Section 2). Year end 31 March.
1.6. Risk Assessment & Insurance	
Existing Controls	**Ongoing Development**
• Risk Assessment is undertaken annually covering the following areas: - **Assets Control:** Asset Register maintenance, Property Management, Security and Insurance. - **Finance**: Petty Cash, Budgeting, Payments & Receipts, Bookkeeping, Banking, Reconciliations, Loans & Investments, Financial Reporting, and compliance with HMRC regulations. - **Payroll:** Record Keeping, Salaries & Benefits, Deductions, Employee Contracts, Year-End. - **Health & Safety:** H&S Policy, Training, Responsible Officer, First Aid, Fire/Water Risk Assessments. - **Council & Members Conduct:** Compliance with legislation/good practice, Members Interests.	• **Clerk to arrange rebuild valuation for council buildings – cemetery store and MUGA pavilion to ensure adequate insurance cover.** • **Clerk to review Martyn’s Law requirements and ensure risk assessments comply as far as practicable.**

- **Property Owners' Liability:** Adequate public liability insurance. - **Employers' Liability:** Display of current certification. - **Officers' & Members' Indemnity:** Adequate level of Fidelity Guarantee and Libel/Slander Cover. • A review of the Council's insurance arrangements is undertaken each year. • An Internal Audit Risk Assessment was last carried out in 2015/16. • Clerk absence - security information for systems and accounts stored safely and copy provided for Chairman access to mitigate against business interruption on prolonged absence of Clerk – Assistant Clerk/ another employee to undergo CiLCA training to provide adequate cover in such an event – or business continuity plan to be devised to provide a framework to follow and procedure for engaging a qualified locum clerk. • Cllr.gov.uk email addresses used. • Fidelity insurance cover increased to £1,000,000.	
1.7. Overview & Scrutiny	
Existing Controls	**Ongoing Development**
• Meeting agendas/minutes are uploaded to the Council's website, made accessible in accordance with WCAG 2.2 and public participation is permitted at the beginning and end of each meeting. • Members' interests are declared to the Monitoring Officer within 28 days of taking office, updated when necessary and considered at the start of each meeting in relation to business on each agenda. • An Audit Plan is annually approved by Council, detailing arrangements for internal and external audit. • The effectiveness of internal audit is assessed and considered each year by the Council. • Strategic plan provides accountability.	• Declared interests to be reviewed annually at the Annual Meeting of the Town Council and any updates required passed to the Monitoring Officer.

4) Conclusion:

ATC is operating within the relevant the legal framework and has established a sound system of internal control to support the management of its duties and functions. ATC has continued to develop its methods of communicating with the electorate improving social media posting and frequency thereof, quarterly editorials are published in Arlesey News. The website is fully operational along with new councillor.gov.uk email addresses to reducing risk, WCAG 2.2 compliance reviewed regularly – AGAR not compliant as scanned pdf – this applies to all T&P councils. Clerk is both CiLCA and Community Governance Level 4 qualified which combined with two thirds of full membership filled by elected members met qualifying criteria to enable General Power of Competence to be adopted and continue to broaden studies to Level 5.

Prepared by Janet Bailey (Town Clerk) **Date:** 16th September 2025

<u>**For Review and Adoption by Arlesey Town Council on Tuesday 16th September 2025.**</u>