

**STATEMENT ON INTERNAL CONTROL  
FOR THE YEAR ENDING 31 MARCH 2008****1 Scope of responsibility**

Rye Town Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangement for the management of risk.

**2 The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to 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 and economically.

**3 The internal control environment**

The key elements of the internal control environment are summarised below:

**a) Policy and decision-making**

The Council has agreed *Standing Orders* which details how its meetings are conducted. Its *Terms of Reference for Council and Committees* sets out the responsibilities of the Council and its committees and the delegation of decision-making.

The Committees are responsible for most decisions and all decisions must be in line with the Council's overall policies and budget. Any decisions a Committee wishes to take outside of its terms of reference must be referred to the Council as a whole to decide.

A 'call in' procedure allows the Council to review Committee decisions before they are implemented, thus presenting the opportunity for a Committee decision to be reconsidered.

The *Standing Orders* were last amended on 21 January 2008 to allow the Council to give effect to para 12(2) of the Local Authorities (Model Code of Conduct) Order 2007 no. 1159 (which gives Members with prejudicial interests the same rights as members of the public to address Council meetings).

**b) Compliance**

The Council has a duty to ensure that it acts in accordance with the law and various regulations in the performance of its functions. It has developed policies and procedures to ensure that, as far as is possible, all staff understand their responsibilities both to the Council and the public. One key document is the *Financial Regulations* which is available to staff and the public on the Council's web site.

Other documentation includes corporate policies on a range of topics such as Complaints and Freedom of Information Publication Scheme. The Council keeps relevant staff aware of changes in policy, or new documentation following new legislation, by means of memos. In addition the Council's Proper Officer is encouraged to attend training courses organised by the Council's professional body, the Sussex Association of Local Councils, the Society of Local Council Clerks or the Institute of Local Council Management.

Formal risk assessments are undertaken annually – normally in March. These are presented to the Policy Resources & General Purposes Committee and form an integral part of the Council's risk management process.

**c) Economic, effective and efficient uses of resources**

Economic, effective and efficient use of resources is subject to review through the work of both Internal and External Audit and through informal monitoring of sector 'best practice'.

**d) Financial management**

Responsibility for ensuring that an effective system of internal financial control is maintained and operated rests with the Responsible Financial Officer (RFO). The systems of internal financial control provide reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period. Internal financial control is based on a framework of management information, financial procedure rules and administrative procedures.

In financial matters the Council is guided primarily by its *Financial Regulations and Governance and Accountability in Local Council in England and Wales: a Practitioners' Guide* (2003) – published jointly by the National Association of Local Councils and the Society of Local Council Clerks.

The Council's principal financial control is that payments drawn on its bank/deposit accounts must be authorised by any two of (normally) five Members.

Regulation 6 of the Accounts and Audit Regulations 2003 (amended 2006) imposes a duty on local councils to *maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices.*

The main purpose of the (independent) *Internal Auditor* is to review, regularly, whether the systems of financial and other control are effective – and to report to the Council the adequacy of systems of control.

There is no requirement for the internal auditor to be professionally qualified but such an individual should be able to demonstrate:

- understanding of basic accounting processes
- understanding of the role of internal audit in reviewing systems rather than undertaking detailed checks that are more appropriately the responsibility of management
- awareness of risk management issues and
- understanding of accounting requirements of the legal framework and powers of local councils.

On 4 June 2007 the Council re-appointed Paula Fisher, former Clerk/RFO of Battle Town Council as its Internal Auditor for 2007-08. Her report to the Council dated 25 July 2007 gave no cause for concern.

The Council's External Auditors (currently Mazars), appointed by the Audit Commission, conduct an annual audit in accordance with guidance issued by the Commission and, on the basis of a review of the Council's Annual Return and supporting information, report on whether there are any matters that have come to their attention which give cause for concern that relevant legislation and regulatory requirements have not been met. For the year 2006-7 the External Auditor's Report gave no cause for concern other than an observation that *the Council must review the effectiveness of its system on internal audit as part of the wider annual review of the system on internal control.*

#### **4 Review of effectiveness**

Rye Town Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed by:

- the work of the Internal Auditor
- the work of the Proper Officer/RFO
- the external auditors in their annual certificate and opinion
- guidance received from the Council's and Clerk's advisory/professional bodies

#### **5 Control issues identified during the year**

##### **(a) Financial Regulations**

The Council's *Financial Regulations* have not been reviewed since their adoption on 31 March 2003.

**Recommendation A That the Council obtains a copy of the latest NALC Model Financial Regulations and considers them for adoption.**

##### **(b) Internal auditor**

Although the Council has supplied the current Internal Auditor with copies of the relevant sections of *Governance and Accountability in Local Council in England and Wales: a Practitioners' Guide* (2003) - and discusses with the Auditor the arrangements for audit – this process (including what is expected of each party) is not set out in writing.

**Recommendation B That, on an annual basis, an Internal Audit Specification be drawn up and agreed by both parties.**

##### **(c) Scheduling of visits**

Currently the Internal Auditor attends the Council's office typically for 2-3 half days, within a 1-3 week period. There is therefore a risk that a material problem might not be detected for 11 months.

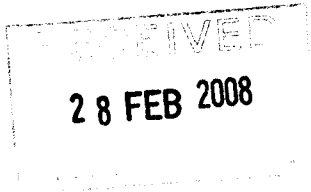
**Recommendation C That the Internal Auditor be asked to re-schedule her work so as to facilitate a visit to the Council's offices approximately half-way through a financial year – and that this be provided for within the Internal Audit Specification.**

Richard Farhall MILCM  
Responsible Financial Officer  
11.3.08

C14 ITEM 117a)

**RYE COMMUNITY CENTRE ASSOCIATION**  
**Conduit Hill, Rye, E. Sussex, TN31 7LE**  
 Tel: 01797 222850 **Registered Charity No. 1063425**

The Mayor,  
 Rye Town Council,  
 Town Hall,  
 Rye,  
 East Sussex TN31 7LA



27<sup>th</sup> February 2008

Dear Councillor Osborne,

Project Grant Application

We are pleased to advise that through Action in Rural Sussex the Community Association has been awarded a grant of £1240 towards the cost of a new safety barrier alongside the Centre. We are now seeking funding for a further £1500 to cover the quoted cost of the materials (bollards and railings). The installation cost is expected to be approximately another £1200, and this will be paid from the Community Centre's own fundraising.

In response to our grant application last year, the Council's Policy Committee in August/September decided to recommend that the Council contribute 50% of the materials cost (half of £2777). Unfortunately this was not confirmed at the time by the full Council, we understand on the grounds that other funding sources should be first approached. This has now been done with the result stated above.

We are encouraged by the Policy Committee's favourable consideration to resubmit our application and hope this will have a successful outcome to enable the project to be completed. Full details were supplied with our previous application, but we should be pleased to provide any further information that may be requested.

Yours sincerely,

G Boudreau  
 Chairman

7<sup>th</sup> March 2008

Mr R Farhall  
Rye Town Council  
Town Hall  
Rye  
East Sussex

Dear Richard

**Re: Rye Fisheries Project**

On behalf of the Rye Partnership I am writing to formally request the Council gives consideration to the grant of £5,000 towards the Rye Fisheries project taking place at Rock Channel.

By working with a number of key stakeholders including the fishermen, Environment Agency, SEEDA, Rother District Council, East Sussex County Council and DEFRA, the Partnership has developed a project which aims to protect and enhance the support infrastructure for the fishing industry in Rye through improved opportunities and increased economic activity. The need for this project has been well researched and meets with strategies at national, regional and sub regional level including Rother District Council's Community Strategy.

The first phase of the project seeks to redevelop the existing fish processing building by creating an additional 1,000 sq ft of unit space for let, installing sanitation facilities, improving environmental protection and providing a safe access to the first floor space. The second phase of the project will utilise this space to provide a training facility for the local fishing industry to ensure continuous good practice and will establish a visitor centre on the quay to promote awareness of the fishing industry in Rye. The aim of which is to ensure that the fishing quay is recognised as a valuable resource for the town not only in terms of its produce but also as a visitor attraction to encourage sustainable tourism and bring economic benefits.

I am enclosing a copy of the bid which provides further detail on the aims of the project and the documented need.

Principal funding for the first stage of the project has been secured through a grant from the Area Investment Framework (AIF) of £145,734 alongside a grant from Rother District Council (£15,000) and East Sussex County Council (£20,000). The Rye Partnership is also contributing £2,700 funding towards the project. We therefore request that the Town Council consider meeting the shortfall in funding of £5,000.

Yours sincerely

Keith Glazier  
Chairman