

RYE TOWN COUNCIL

REVIEW OF INTERNAL CONTROLS (AUGUST 2020)

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* (which needs updating) sets out the responsibilities of the Council and its committees and the delegation of decision-making.

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.

Amended *Standing Orders* – based on the National Association of Local Councils' (NALC) *Model Standing Orders* were adopted on 3 September 2018.

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*. Amended *Financial Regulations* – based on the National Association of Local Councils' (NALC) *Model Financial Regulations* - were adopted on 13 April 2015.

Other documentation includes corporate policies on a range of topics such as Complaints, Freedom of Information and Data Protection – as well as operational procedures, such as Day-to-Day Financial Controls and the Electronic Payments Policy. The Council keeps relevant staff aware of changes in policy, or new documentation following new legislation, by means of emails/memos. In addition, the Council's Proper Officer is encouraged to attend training courses organised by

the Council's professional body, the Sussex & Surrey Association of Local Councils (SSALC) and the Society of Local Council Clerks.

Formal risk assessments are undertaken annually – normally in April. These are presented to the Council directly 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 and its internal auditor are guided primarily by its *Financial Regulations and Guidance & Accountability for Smaller Authorities in England (March 2019)* – published by the Joint Panel on Accounting Guidance (JPAG).

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

The main purposes of the (independent) *Internal Audit* are to review, regularly, whether the systems of financial and other control are both adequate and effective- and, if appropriate, to make recommendations.

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 24 June 2019 the Council re-appointed Angela Alexander, Clerk to Lydd Town Council and Camber Parish Council as its Internal Auditor for 2019-20. Her report to the Council dated 18 June 2019 contained the suggestions/recommendations/ observations following (incorporated within section 4 – page 3):

- Review GDPR compliance annually.
- Develop a business continuity plan.

The Council's External Auditors (currently PKFLittlejohn LLP), appointed by the Smaller Authorities' Audit Appointments Ltd (SAAA), conduct an annual 'intermediate' audit in accordance with guidance issued by the Commission and, on the basis of a review of the Council's Annual Governance & Accountability 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 2018-19 the External Auditor raised no concerns.

4 **Control recommendations (outstanding and suggested)**

- a) **Pre-paid cards** Explore the provision of a card to both the Clerk and Deputy – including considering the loading limit/s.
- b) **Payroll** Assess the practicalities of taking this back in-house.
- c) **Member email addresses** Explore provision.
- d) **General Reserves** Continue to consider how these might be replenished.
- e) **GDPR Review** Annual.
- f) **Terms of Reference for Council & Committees** Update.
- g) **Business Continuity Plan** Draft.

This review date: 17.8.20