

RYE TOWN COUNCIL

REVIEW OF INTERNAL CONTROLS (JUNE 2019)

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, Heritage Central Petty cash 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 2018)* – 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 26 June 2018 the Council re-appointed Angela Alexander, Clerk to Lydd Town Council and Camber Parish Council as its Internal Auditor for 2018-19. Her report to the Council dated 18 June 2019 contained the suggestions/recommendations/ observations following (incorporated within section 4 – page 3):

- NALC recommends that general reserves are 25%-100% of operational expenditure.
- The use of a rubber stamp on Town Hall purchase invoices - with boxes for the cheque number and payment authorisers' initials.
- A GDPR (data protection) review.
- Updating the Assets Register insurance values column.

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 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 2017-18 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 HCM – 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** Consider replenishment.
- e) **Authorisation of Town Hall cheque payments** Consider using an appropriate rubber stamp on purchase invoices.
- f) **GDPR Review**
- g) **Assets Register** Update insurance values column.
- h) **Terms of Reference for Council & Committees** Update.

This review date: 18.6.19

RYE TOWN COUNCIL

Summary of main day-to-day financial controls

To be read in conjunction with the Council's Financial Regulations

1 Generally

a) All cheques or other lawful payment methods (*see also the Electronic Banking Policy*) must be signed/authorised by at least two Members of Council. By signing a cheque or authorising a payment, those Members are confirming that they are satisfied with the payment proposed and that the payment sum corresponds with the demand for payment (typically an invoice). Cheque stubs are initialed by those Members signing the cheque to confirm that both sums match.

b) Proposed payments exceeding the approved budget shall be approved by Council.

c) The documents/reports following are normally presented to meetings of the Council:

- (i)** Schedule of authorised payments and income (TH & HC)
- (ii)** Budget Monitor (TH & HC)
- (iii)** Accounts Balances statement (TH & HC)
- (iv)** Earmarked Reserves statement (TH & HC)

d) The urgent/emergency expenditure limit is set out at section 4.4 within the Council's *Financial Regulations*.

2 Rye Town Hall (TH)

Note No petty cash account is maintained. (There are very few cash transactions.)

a) Cash (limited) and cheques are banked at least weekly

b) Small amounts of cash, cheques and postage stamps are kept in a secure facility to which only the Clerk and Deputy Town Clerk Designate have access. (A more secure facility is available for larger amounts of cash.)

c) The current account is reconciled monthly by the Deputy Town Clerk Designate and checked by the Clerk.

d) Deliveries are checked against the delivery note and original order by the Deputy Town Clerk Designate and any discrepancies are noted. Delivery notes are checked against invoices by the Town Clerk.

e) A float is held by the Town Steward which is topped up to £100 periodically upon production of receipts. The top up amount is provided from the Town Clerk's personal funds and is subsequently reimbursed.

3 Rye Heritage Centre (HC)

a) Neither the Heritage Centre Manager nor Deputy Town Clerk Designate are permitted to commit unbudgeted expenditure – nor enter into any contracts or undertakings on behalf of the Rye Heritage Centre or Rye Town Council - without the consent of the Town Clerk.

- b)** The Heritage Centre Manager is required to provide monthly financial reports and to have regard for, and comply with, the Town Council's systems of financial control and financial procedures.
- c)** In order to limit bank charges – and unless the cash held in the safe is likely to reach (or exceed) the 'cash on premises' insured limit: cash and cheques are banked every 3 days outside of the main visitor season (1 Oct- up to Easter) and every other day (excluding Sat and Sun) within the peak visitor season (Easter-30 Sep). Bankings are undertaken at least twice a week (ensuring that cash held remains within insurance limits) by different staff, at variable times. Any unbanked cash or cheques are kept in a secure facility overnight.
- d)** Takings are 'cashed up', double counted and reconciled against till readings and PDQ (debit/credit card) reports daily. If the cause of the discrepancy cannot be identified, details are recorded on the day sheet (summary of takings) for the Heritage Centre Manager or Senior Sales & Information Assistant to investigate the day following.
- e)** The QuickBooks Undeposited Funds account is reconciled monthly.
- f)** The till float is kept in the safe overnight and is checked daily.
- g)** Petty cash – *see HC Petty Cash Procedure.*
- h)** A 'working stock' of postage stamps for retail use is kept behind the counter. The remaining stock is kept in a secure facility.
- i)** The current accounts are reconciled monthly by the Deputy Town Clerk Designate and checked by the Clerk.
- j)** Deliveries are checked against the delivery note by an available member of staff and any discrepancies are noted. Delivery notes are checked against the original order by the Heritage Centre Manager, Senior Sales & Information Assistant or Deputy Town Clerk Designate – and against the corresponding invoice – before being recommended for payment.
- k)** The Old Pier Amusement machines are emptied daily. 50% is put through the till and 50% is recorded and placed in a secure facility (before being passed to the owner of the machines) – and is reconciled weekly.

Last reviewed and updated: 31.3.19

Re-Issued (1.4.19) to: Deputy Town Clerk Designate and Rye Heritage Centre Manager.

Section 1 – Annual Governance Statement 2018/19

C5 49.4(e)

We acknowledge as the members of:

RYE TOWN COUNCIL

our responsibility for ensuring that there is a sound system of internal control, including arrangements for the preparation of the Accounting Statements. We confirm, to the best of our knowledge and belief, with respect to the Accounting Statements for the year ended 31 March 2019, that:

	Agreed		'Yes' means that this authority:
	Yes	No*	
1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.	✓		prepared its accounting statements in accordance with the Accounts and Audit Regulations.
2. We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	✓		made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.
3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.	✓		has only done what it has the legal power to do and has complied with Proper Practices in doing so.
4. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	✓		during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.
5. We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	✓		considered and documented the financial and other risks it faces and dealt with them properly.
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	✓		arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.
7. We took appropriate action on all matters raised in reports from internal and external audit.	✓		responded to matters brought to its attention by internal and external audit.
8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements.	✓		disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.
9. (For local councils only) Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	Yes	No	N/A
	✓		has met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.

*Please provide explanations to the external auditor on a separate sheet for each 'No' response and describe how the authority will address the weaknesses identified. These sheets should be published with the Annual Governance Statement.

This Annual Governance Statement was approved at a meeting of the authority on:

24/06/2019

and recorded as minute reference:

C5 49.4(e)

Signed by the Chairman and Clerk of the meeting where approval was given:

Chairman

Clerk



<p>Other information required by the Transparency Codes (not part of Annual Governance Statement)</p> <p>Authority web address</p> <p>www.ryetowncouncil.gov.uk</p>
