

RYE TOWN COUNCIL

STATEMENT OF INTERNAL CONTROL (JUNE 2016)

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.

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

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 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 and the Society of Local Council Clerks.

Formal risk assessments are undertaken annually – normally in April. These are presented to the Policy Resources & General Purposes Committee – or 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 of 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 Governance and Accountability in Local Council in England and Wales: a Practitioners' Guide* (updated periodically) – 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 (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 29 June 2015 the Council re-appointed Angela Alexander, Clerk to Lydd Town Council and Camber Parish Council as its Internal Auditor for 2015-16. Her report to the Council dated 16 June 2016 contained observations that the Assets Register is still to be amended to reflect the updated insurance values for relevant assets and that cheque stubs are not always initialed by the two cheque signatories (*both incorporated into section 4 – below*).

The Council's External Auditors (currently PKFLittlejohn LLP), appointed by the Audit Commission, 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 2014-15 the External Auditor issued an unqualified opinion.

4 Control recommendations (outstanding and suggested)

A GENERAL

(i) Assets

- 1 Arrange community assets re-valuations.
- 2 Bring the Assets Register insurance values up-to-date to reflect the actual insurance values (as set out in the Insurance Schedule).

(ii) Payments (cheques)

Ensure that cheque stubs are initialed by both signatories.

B HERITAGE CENTRE

(i) Cash holding (overnight)

Continue to monitor against the insured limit.

This review date: 20.6.16

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 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 or (if less than £250) by the Policy, Resources & General Purposes Committee (PRGP).

c) The documents/reports following are normally presented to meetings of the Policy, Resources & General Purpose Committee:

- (i) Schedule of authorised payments and income (TH & HC)
- (ii) Budget Monitor (TH & HC)
- (iii) Petty cash statement (HC)
- (iv) Accounts Balances statement (TH & HC)
- (v) 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. 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 Assistant Town Clerk have access. (A more secure facility is available for larger amounts of cash.)

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

d) Deliveries are checked against the delivery note and original order by the Assistant Town Clerk 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 Custodian 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 by different staff at variable times. Any unbanked cash or cheques are kept in a secure facility overnight.
- d)** Takings are 'cashed up' and reconciled against till readings and PDQ (debit/credit card) reports daily. In the event of discrepancy, assistance is sought from other members of staff on duty. If the cause of the discrepancy cannot be identified, details are recorded on the day sheet (summary of takings) for the Heritage Centre Manager to investigate the day following.
- e)** Credit/Debit card statements are reconciled monthly and takings generally are, additionally, reconciled monthly.
- f)** The till floats (including the spare) are kept in a secure facility overnight and the spare float is checked weekly.
- g)** Petty cash is kept within a secured facility – with only four individuals (the Heritage Centre Manager, Custodian, Deputy Heritage Centre Manager and Senior Advisor) having access to the contents of the petty cash box.
- h)** There is a minimal holding of postage stamps for administrative purposes. They are kept in a secured facility.
- i)** A 'working stock' of postage stamps for retail use is kept behind the counter. The remaining stock is kept in a secure facility. The sale of stamps is reconciled monthly.
- j)** The current account is reconciled monthly by the Sales/Counter Clerk responsible for bookkeeping and checked by the Clerk.
- k)** 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 – and against the corresponding invoice – before being recommended for payment.
- l)** 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

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Last reviewed and updated by the Town Clerk: 15.6.16
Re-Issued (15.6.16) to: The Assistant Town Clerk
Rye Heritage Centre Manager