

# Annual Statement on Internal Control

RESPONSIBLE COMMITTEE: P&F

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This is a policy/procedure document of Saltash  
Town Council to be followed by both Council  
Members and Employees.

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<b>Document Retention Period</b>
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Until superseded
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# **Annual Statement on Internal Control 2024-25**

## **Introduction**

Saltash Town Council is responsible for ensuring that the financial management of the Town Council is adequate and effective and that the Town Council has a sound system of internal financial control in accordance with legislation and proper practices for the safeguarding of public funds in an economic and efficient manner.

This statement of internal control should be read in conjunction with Saltash Town Council's Standing Orders, Financial Regulations and Scheme of Delegation. It provides details of the methodology by which the Town Council affords itself protection in the day-to-day operation of its accounting procedures.

### **1. The Purpose of the System of Internal Council**

The Town Council's system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure. It can therefore only provide reasonable and not an 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 Town Council's policies, aims and objectives.
- Evaluate the likelihood of those risks being realised, and the impact should they be realised.
- Manage them effectively and economically.

The system of internal control accords with the practices set out in The Practitioners Guide 2023.

## 2. The Internal Control Environment

Saltash Town Council seeks to ensure that the financial management of the Town Council is robust and, in particular, that the following management principles are incorporated within the system of internal control:

- Segregation of financial responsibilities.
- Compliance with Town Council Policies including Standing Orders, Financial Regulations and Scheme of Delegation.
- Compliance with budgetary procedure requirements.
- Clearly defined budget setting and capital expenditure guidelines.
- Regular monitoring of reserves/balances to be reported to the Chairman and Vice Chairman of Policy and Finance and the Chairman of the Town Council monthly.
- Regular budget reporting to committees by a traffic light system. Policy and Finance Committee to oversee all budget reporting on a bi-monthly basis.
- Personal accountability of line managers as budget holders.
- Regular reports showing actual expenditure and income against forecasts for reporting on and reviewing financial performance.
- Management Supervision.
- Development and maintenance of systems by managers.
- Independent Internal Auditor.
- Internal audits by the Town Clerk/RFO and Chair of Policy of Finance of monthly bank statements and purchase ledger payment.
- Annual External Audit (Statutory requirement).
- Annual Governance & Accountability Return (AGAR) (Statutory requirement).
- Asset Register which is reviewed by the internal auditor.
- Risk Management Strategy Policy.
- Sufficient levels of insurance in place.
- Data Protection.

### 3. Review of Effectiveness

The process agreed by the Town Council which is applied in maintaining and reviewing the effectiveness of governance arrangement, including the system of internal control includes:

- Internal Audit Reports.
- Reporting on any issues relating to value for money, to ensure use of resources in an economical, effective and efficient way.
- Approval through the relevant standing committees of budget plans, the subsequent collation of comments for policy guidance at the Town Council meeting on the setting of the budget and any precept requirements for the following year.
- Responsibility through the Policy and Finance Committee for receiving regular reports on work in progress and to be programmed for the future on internal audit and external audit functions.
- Where any recommendations are made either by the internal or external auditor suggesting improvements to the effectiveness of the systems of governance and internal control, a plan of action will be agreed with the relevant officer within a reasonable period to address weaknesses and to ensure agreed action is undertaken.
- Risk Assessments are undertaken for all areas of the Town Council.
- Internal Audits by Councillors are carried out and reported to Full Council and Policy and Finance Committee.
- Regular Budget Monitoring is undertaken and the necessary virements are agreed by the relevant committee. Virements from general reserves, must be recommended to and approved by Full Council.
- Insurance is regularly monitored in line with the asset register to ensure sufficient level of cover.
- Asset Register is maintained at all times.

## **Monthly Checks**

The Town Clerk/RFO and Chairman of Policy and Finance Committee checks the original bank statements against the figures shown in the monthly reconciliation print out created in Xero and this is reported to Full Council and Policy and Finance Committee.

All invoices are checked by the Chairman of Policy and Finance on a monthly basis that they are in line with the Town Council's financial regulations and reported to Full Council and Policy and Finance Committee.

## **4. Internal and External Audit**

The Town Council appoints an Internal Auditor in accordance with its Financial Regulations and is responsible for ensuring that the person appointed meets the competency and independence requirements. For the financial years 2024/25 to 2025/26 this is Hudson Accounting Limited.

The External Auditor is independently appointed and currently BDO LLP Southampton. The External Auditor examines the Annual Governance and Accountability Return (AGAR) and any other documents specifically requested.

Saltash Town Council is required to review at least annually the effectiveness of its system of financial control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the management of the Town Council who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors in their annual letter and other reports.

## 5. Risk management

The Town Council is responsible for:

- Establishing and monitoring the achievement of its objectives.
- The facilitation of policy and decision-making.
- Ensuring compliance with established policies, procedures, laws and regulations.
- The Town Council has overall responsibility for the management of risk.
- The Town Council all committees, the Town Clerk and staff all contribute to the identification and management of risk. Any identified weaknesses in this area are addressed and actioned by the Town Council.

Key staff are trained in health and safety, fire and general risk management and appropriate risk assessments are used to regularise these processes.

- Through its standing orders, financial regulations and delegated authority to the Town Clerk, the Town Council has put in place a scheme of delegation, self-audit mechanisms and controls to ensure that best value and financial probity are achieved.
- All committees of the Town Council receive regular and up to date reports on financial activities under their direction.
- Performance is regularly monitored against financial and operational budgets.



## **6. Accounting Records and Reports to Town Council**

The Policy and Finance Committee has delegated responsibility for monitoring effectiveness by regular internal audit reports on systems, reports from the Town Clerk/ RFO and Finance Officer and matters raised by external auditors and from other retained professional advisers. It receives and considers such reports promptly and agrees appropriate action to address identified weaknesses.

Subject to any restrictions imposed by the Town Council, the Responsible Financial Officer is required to determine:

- accounting records including the form of accounts and supporting accounting records;
- accounting control systems;
- ensuring that determined systems are adhered to, comply with proper practice and are up to date.

The Responsible Financial Officer is required by statute to:

- ensure that the records are kept in such a way as to enable the financial statements and related notes to be prepared;
- ensure that entries on a day-by-day basis record all money received and expended;
- record the assets and liabilities of the Authority;
- record separately income and expenditure relating to any claim for contribution, grant or subsidy from the government, a body funded by government or a community institution.

The system determined by the Responsible Financial Officer is as required by statute:

- to record transactions as soon as practicable;
- to put in place measures for the prevention and detection of inaccuracy and fraud;
- to put in place measures for the reconstitution of data if records are lost;

- to identify the duties of individual officers and the segregation of duties achieved for significant transactions;
- to only allow the write off of uncollectible amounts including bad debts with the Responsible Financial Officer's evidenced approval;
- to ensure appropriate measures to manage risk.

A system of internal financial control cannot be expected to completely eliminate the possibility of inaccuracy or fraud. In this Town Council due to the small number of staff and in common with other small organisations it is not possible to achieve full segregation of duties. However wherever possible division of financial responsibility has been introduced to promote best practice.

To compensate for this weakness all payments are approved, and cheques and other payment methods are checked and signed by two Councillors, the Town Clerk/RFO and FO.

Section 114 of the Local Government Finance Act 1988 requires the Responsible Financial Officer to report to the Full Council, Executive and External Auditor if Saltash Town Council or one of its Officers:

- Has made, or is about to make, a decision which involves incurring unlawful expenditure;
- Has taken, or is about to take, an unlawful action which has resulted or would result in a loss of deficiency to the Authority;
- Is about to make an unlawful entry in the Authority's accounts;
- If the expenditure of the authority is likely to exceed the resources available to it to meet that expenditure.

Section 114 of the 1988 Act also requires:

- The Responsible Financial Officer to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under Section 114 personally; this is currently the Finance Officer.

- Saltash Town Council to provide the Responsible Financial Officer with sufficient staff, accommodation and other resources – including legal advice as necessary – to carry out the duties under Section 114.

The Town Council has a computerised accounting package that records all of the accounting transactions and is used to register unpaid supplier invoices and unpaid customer accounts. This package is used to provide financial information and to inform budgetary control.

As required by statute, the Town Council has in place a system of internal audit carried out by an independent auditor. Issues raised by the internal auditor are reported in writing to the Town Council and agreed actions are monitored to ensure that they have been carried out and actioned within agreed timescales.

Additionally, the Town Council seeks and receives appropriate property, legal, insurance, V.A.T. health and safety and human resources advice to manage risk.

## **7. Significant Internal Control Issues**

No significant internal control issues were identified during the 2023/24.

However, the Town Council recognises health pandemics/lockdowns. Therefore, the policies are under regular review to ensure internal control systems are adapted and maintained to remain robust and effective.

Whilst no significant internal control issues were identified during the year the Town Council strives for the continuous improvement of, the system it has adopted at all times.