

## **STATEMENT OF INTERNAL CONTROL**

### **Introduction**

Cranbrook Town 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 as well as being 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 arrangements for the management of risk.

### **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

- a) identify and prioritise the risks to the achievement of the Council's policies, aims and objectives
- b) evaluate the likelihood of those risks being realised and the impact should they be realised
- c) manage them efficiently, effectively and economically.

The system of internal control has been in place at the Council for the year ended 31 March 2024 and accords with proper practice as laid down by the Council's Financial Regulations which were last adopted in May 2024.

### **The Council's Internal Controls**

#### The Council's Chairman

The Council has elected a Chairman who is responsible for the smooth running of meetings and for ensuring that all Council decisions are lawful. The Council reviewed its obligations and objectives and approved the level of precept and individual budgets for the following financial year at its January meeting.

#### Full Council

The full Council meets at least once a month and monitors progress against its aims and objectives at each meeting by reviewing and ratifying the recommendations of the Finance & Personnel Committee and by receiving relevant reports from the Clerk and Responsible Finance Officer. The Council carries out regular reviews of its internal controls, systems and procedures.

## Finance & Personnel Committee

The Finance & Personnel Committee monitors expenditure against budget on a quarterly basis and carries out regular reviews of financial matters. It makes recommendations to the full Council.

## Risk Management

On 27 June 2022, the Council reviewed its risk management arrangements and resolved to review the Council's arrangements relating to risk management, fire safety, health and safety and emergency planning once in a Council period, i.e. every four years as well as to receive reports as and when a need arises at any time in relation to risk management, fire safety, health and safety and/or emergency planning (ref. minute 22/123(e)).

The Council's system of risk management remains under review as new assets transfer to the Town Council.

## The Clerk

The Council appoints a Clerk and Responsible Finance Officer who acts as the Council's advisor and administrator. The Clerk manages and administers the Council's finances and is responsible for the day-to-day compliance with laws and regulations which the Council is subject to and for managing risks as well as ensuring adherence to the Council's procedures, control systems and policies. The Clerk is supported by a Deputy Clerk and other staff.

## Payments

Most payments are processed by BACS and very few by cheque. Most recurring payments are made by direct debit which are approved by the full Council in principle via the schedule of regular payments which is approved at each annual meeting of the Council in May each year. Direct Debit mandates are signed in accordance with the Council's bank mandate, i.e. by two councillors who are bank signatories.

All payments are reported to the Council for approval, resolution and minuting. Two authorised and duly appointed councillors must authorise every payment through authorisation of payments online or signing cheques. The authorised signatories are provided with proof of payment details for new recipients and electronic copies of invoices at the point of payment authorisation.

## Bank Reconciliations

According to the Council's Financial Regulations, a councillor other than the Chairman or a cheque signatory is appointed to verify bank reconciliations for all accounts once in each quarter. That councillor signs the reconciliations and the original bank statements as evidence of verification and reports their findings to the Finance & Personnel Committee.

## Internal Audit

The Council appoints an independent Internal Auditor who reports to the Council on the adequacy of its:

- financial records
- procedures

- systems
- internal control regulations
- risk management
- reviews

The effectiveness of the internal audit is reviewed annually.

### External Audit

The Council's External Auditors, PKF Littlejohn, submit an annual Certificate of Audit, which is presented to the full Council.

### **Effectiveness**

The Council has responsibility for conducting an annual review of the effectiveness of its system of internal controls. The review of the effectiveness of the system of internal controls is informed by the work of the:

- Finance & Personnel Committee
- full Council
- Clerk and Responsible Financial Officer who has responsibility for the development and maintenance of the internal control environment and the management of risks
- independent Internal Auditor who reviews the Council's system of internal controls
- External Auditors, PKF Littlejohn, who make the final check using the Annual Governance and Accountability Return, a form completed and signed by the Responsible Financial Officer, the Chairman and the Internal Auditor
- number of significant issues which are raised during the year

### **Internal Control Issues**

The Council's Internal Auditor for the financial year 2023-24 conducted a review of the Council's financial procedures. The internal auditor awarded the Council a "Substantial Assurance" rating, the highest rating in their assurance hierarchy, and concluded that the Council operates a sound system of governance, risk management and control, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the areas audited.

The Council strives for the continuous improvement of the system and has addressed all minor issues raised and reported during the review process.

Adopted:	29 April 2019
Reviewed:	June 2024
Date for next Review:	June 2025