

## STATEMENT OF INTERNAL CONTROL (MARCH 2022)

### 1. Scope of responsibility

Lydd 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, and used economically, efficiently and effectively.

In discharging this overall responsibility, the Council is responsible for ensuring that there is a sound system of internal control which includes management of risk.

### 2. 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, effectively and economically.

### 3. The internal control environment

The key elements of the Council's internal control environment include:

- Established budget setting and regular budgetary monitoring reporting to members;
- NALC Standing Orders and Financial Regulations adopted and reviewed
- Terms of Reference for Committees with responsibility for decisions which include expenditure where exceeding agreed budget limits being referred to Council.
- Code of conduct for members that set out clear expectations for standards of behaviour;
- Internal audit carried out at least annually
- Members audit on a monthly basis carried out by two members which includes checking of invoices against payments and cash book control.
- Cheques signed by two councillors and stubs initialled.

### 4. Policies and Procedures

- The Council will ensure that it develops and adopts relevant policies and procedures to ensure that as far as is possible all responsibilities of the Council are understood.
- The Council will ensure that risk assessments are in place

## **5. Financial management**

In financial matters the Council and its internal auditor are guided primarily by Financial Regulations and Guidance and Accountability for Smaller Authorities in England.

Internal financial control is based on a framework of management information, financial and administrative procedures.

The Council's principal financial control is that payments drawn on its bank accounts must be authorised by two members and that cheques must be signed by two signatories of four who are on the bank mandate and therefore authorised to do so.

The main purpose of the independent internal audit is to review whether the systems of financial and other controls are both adequate and effective and to make recommendations if appropriate.

## **6. Review of effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control and of the system of internal audit. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and Town clerk/RFO and also by comments made by the external auditors.