



# Loddon Town Council

The Old School | Church Plain | Loddon | NR14 6EX

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## LODDON TOWN COUNCIL ANNUAL GOVERNANCE STATEMENT OF INTERNAL CONTROL AND REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT FOR THE YEAR ENDING 31 MARCH 2024

The Accounts and Audit Regulations 2015 requires councils to review annually the effectiveness of their **systems of internal control** and publish a statement on such systems (**Annual Governance Statement**).

*Governance and Accountability for Smaller Authorities – A Practitioners Guide (England) March 2023* is statutory guidance (available from SLCC and NALC).

### 1. SCOPE OF RESPONSIBILITY

Loddon 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 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.

### 2. THE SCOPE OF THE SYSTEM OF INTERNAL AUDIT

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.

The system of internal control has been in place at the Council for the year ended 31 March 2024 and up to the date of approval of the annual report and accounts and, except for details of significant internal control issues at section 6, accords with proper practice.

### 3. THE INTERNAL CONTROL ENVIRONMENT

#### The Council:

The Council has appointed a Chairman who is responsible for the smooth running of meetings and for ensuring that all Council decisions are lawful.

The Council reviews its obligations and objectives and approves budgets for the following year at its December/January meeting. The December/January meeting of the Council approves the level of precept for the following financial year.

The Council meets 11 times a year and has monthly reports from the Responsible Financial Officer and Town Clerk to enable it to monitor progress against objectives, financial systems and procedures, budgetary control and carry out regular reviews of financial matters.

The Council carries out annual reviews of its internal controls, systems and procedures.

#### **Clerk to the Council / Responsible Financial Officer:**

The Council has appointed a Clerk to the Council who acts as the Council's advisor and administrator. The Council has appointed a Responsible Financial Officer (RFO) who is responsible for administering the Council's finances. The Clerk is responsible for the day-to-day compliance with laws and regulations that the Council is subject to and for managing risks. The Clerk also ensures that the Council's procedures, control systems and policies are adhered to.

#### **Payments:**

All payments are reported to the Council for approval. Two Members of the Council must authorise every cheque and BACS payment after checking the related invoice. Neither the Clerk nor the RFO is allowed to sign cheques or authorise BACS payments.

#### **Risk Assessments / Risk Management:**

The Council carries out regular risk assessments in respect of actions and regularly reviews its systems and controls. The Financial Risk Assessment is reviewed annually.

### **4. INDEPENDENCE AND COMPETENCE OF INTERNAL AUDIT**

#### **Evidence to Support Reviews - Internal Audit:**

- letter of appointment including job description
- minute recording annual appointment/re-appointment and minimum frequency **and timing** of visits
- IA is wholly independent of the council and written internal audit reports are produced to the Clerk and Chairman in his/her name
- IA has direct access to the Clerk/RFO and Chairman
- prior to internal audit visit(s) the auditor liaises with the Clerk/RFO
- internal audit meets business needs of the council and is proportionate to its size and activities

#### **Evidence to Support Reviews - Internal Controls:**

- measures in place to **prevent and detect fraud and corruption** e.g. cheque signatories, bank mandates, cash handling, controlled stationery, budget monitoring (actuals against budget)
- level of reserves both earmarked and general are not excessive and reviewed annually prior to budget and precept setting
- all borrowing is authorised and level of loan debt appropriate
- investment arrangements (policy) are appropriate and returns adequate
- members have opportunity to question the internal auditor
- council has acted upon any internal or external auditor's recommendations
- professional advice has been sought where necessary

The Council has appointed an Independent Internal Auditor who reported to the Council on the

adequacy of its:

- 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 appointed by The Smaller Authorities' Audit Appointments, submit an annual Certificate of Audit, which is presented to the Council.

## **5. THE REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT**

The Council's review should be linked to the internal auditor's written report and include confirmation that:

- minutes record approval of year end accounts (Sections 1 of the Annual Return)
- financial and other risk assessments have been undertaken and periodically reviewed
- council has adequate insurance cover which is annually reviewed
- council has acted lawfully in its financial decision making and not exceeded its powers.
- Internal auditor should evidence (by sample testing payments) correct use of legal (powers)
- electors have been given opportunity to inspect accounts and ask questions (public notice given of rights of inspection and completion of audit)
- standing orders and financial regulations are in place and up to date
- supply of goods and services, tendering and management of contracts been dealt with in accordance with SO's and financial regulations
- council has responded positively to any issues raised in previous IA reports Reviewing Effectiveness of Internal Audit
- council, as sole managing trustee of any charity, has managed the accounts properly and **no** charity transactions, funds or reserves appear in the Annual Return (Sect. 1) or the council's accounts
- cash book (manual or electronic) is reconciled with invoices
- VAT is correctly calculated/applied, linked to invoices and has been reclaimed
- VAT and Section 137 payments are separately recorded
- Any use of 'power of well-being' conforms to eligibility criteria
- bank reconciliations provided regularly (at least monthly) to 31 March and all are signed and dated by Clerk/RFO
- a budget has been approved and precept (if required) issued and paid
- council has approved accounts by 30 June **and prior** to receipt of IA report
- petty cash transactions recorded and reconciled
- all payments including standing orders and direct debits shown in minutes
- significant variations in the Annual Return (Sect. 1) figures explained
- asset register is up to date and concurring with AR Sect. 1 (Box 9)
- pay awards, salary changes and expense payments all minuted
- PAYE records established, and tax and NI requirements properly applied

The Council has responsibility for conducting an annual review of the effectiveness of the system of

internal control. The review of the effectiveness of the system of internal control is informed by the work of:

- The full Council,
- The Clerk to the Council / Responsible Financial Officer who has responsibility for the development and maintenance of the internal control environment and managing risks,
- The independent Internal Auditor who reviews the Council's system of internal control,
- PKF Littlejohn, the Council's external auditors, who make the final check using the Annual Return, a form completed and signed by the Responsible Financial Officer, the Chairman and the Internal Auditor. PKF Littlejohn issue an annual audit certificate,
- The number of significant issues that are raised during the year.

## **6. SIGNIFICANT INTERNAL CONTROL ISSUES**

Significant internal control issues were identified during the 2019-2020 financial year, these have been fully addressed and resolved.

The Council has reviewed its Internal Audit control, including the appointment of the Internal Auditor, and has selected an Auditor, Sonya Blythe, with the appropriate qualifications and experience. Whilst no significant internal control issues were identified during the year the Council strives for the continuous improvement of the system it has adopted for the internal control and has addressed all minor issues and weaknesses raised and reported during the review process.

**Signed:** (Chairman)

**Signed:** (Town Clerk/RFO)

**Dated:** 13 March 2024

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