

REPORT TO FINANCE COMMITTEE
**STATEMENT AND REPORT ON INTERNAL CONTROLS
FOR THE YEAR ENDING 31ST MARCH 2026**



Report Reference F-25-12
Meeting Date 9th March 2026
Agenda Item 8
Prepared by Town Clerk

1.0 INTRODUCTION

1.1 INTRODUCTION

The Town Council is required to ensure that its financial management systems are adequate and effective and that it has a sound system of internal control which:

- a) facilitates the effective exercise of its functions and the achievement of its aims and objectives
- b) ensures that the financial and operational management of the authority is effective
- c) includes effective arrangements for the management of risk

The council is required to undertake an annual review of the effectiveness of the system of internal controls. This report forms that review for the current financial year.

1.2 PURPOSE OF INTERNAL CONTROL SYSTEM

The purpose of internal control systems is to ensure that risks are managed to a reasonable and acceptable level. The systems should form an ongoing process designed to identify, prioritise and manage risks to the council's effective operation.

The establishment of a sound system ensures that the council conducts its business in accordance with the law, proper practices and that public money is properly accounted for.

2.0 THE INTERNAL CONTROL ENVIRONMENT

2.1 THE COUNCIL

The Town Council has established a Finance Committee which has responsibility for oversight of the council's financial governance, audit and banking arrangements. The committee meets quarterly with a work programme to undertake regular overview and review policy.

The Town Council has a robust budget setting process which involves all committees developing budget proposals which are reviewed by the Finance Committee before being submitted to Full Council for approval. Committees review their performance against budget at every ordinary meeting.

Councillors sitting on the Finance Committee are required to have attended suitable training.

2.2 TOWN CLERK AND RESPONSIBLE FINANCIAL OFFICER

The Town Council has appointed a Town Clerk who is the council's principal advisor and administrator. The Town Clerk is the council's Responsible Financial Officer with responsibility for the management of the council's finances.

The Town Clerk is responsible for the day to day compliance with laws and regulations that the council is subject to and for managing risks. The Town Clerk also ensures that the council's procedures, control systems and policies are maintained.

As Responsible Financial Officer, the Town Clerk ensures all requested information is submitted to enable an effective Internal and External Audit and arranges for the public notices to be displayed as required.

2.3 INTERNAL CONTROL TESTING

The Finance Committee appoints an 'internal audit working group' annually, comprising three councillors. As part of the appointment, the committee reviews the terms of reference for the working group. The working group undertakes a number of internal control tests, including:

- Review of asset register
- Review of payments and receipts – including record keeping
- Review of bank reconciliation

The working group has completed the Q1 and Q2 reviews, with no issues arising.

2.4 INTERNAL AUDITOR

The council appoints an internal auditor who undertakes an internal audit in accordance with the Proper Practices set by the Smaller Authorities Proper Practices Panel (SAPPP). The Internal Auditor usually produces an interim and final audit report which is considered by the Finance Committee. The internal audit includes tests on:

- Record keeping
- Procedures
- Systems
- Internal Controls
- Risk Management
- Relevant Policy (e.g. investments, reserves)

The council's current Internal Auditor is JDH Business Services; they were appointed c. 2012. The council is due to review its arrangements for Internal Audit for the 2026/27 financial year and thereafter every four years.

The Internal Auditor will inspect the accounts at the year-end prior to completion of the Annual Return and will complete The Internal Auditor's section of the Annual Return.

The 2025/26 internal audit outlined the following issues/recommendations; the status of each

recommendation as at the date of the review meeting is noted:

- Publish information as set out in Transparency Code 2015 – outstanding
- Undertaking annual review of effectiveness of internal control – implemented
- Linking strategic plan objectives to decision making – implemented

2.5 EXTERNAL AUDIT

The Town Council is subject to a ‘limited assurance review’, commonly referred to as external audit. The external auditor is appointed by the Smaller Authorities Audit Appointments (SAAA) and the current auditor is PKF Littlejohn.

The table below summaries the output of external audit for the last four years:

Audit Year	Qualifications	Other Matters
2024/25	None	None
2023/24	None	None
2022/23	Credit card balances not treated as a creditor at year end (this followed a change to proper practices from previous years)	One bank statement not provided with original submission, provided during review.
2021/22	None	None

3.0 OVERVIEW OF INTERNAL CONTROL PROCESSES

Control	Notes	Further action?
Bookkeeping	<p>Suitable electronic record keeping system employed (Rialtas Omega) with purchase and sales ledgers.</p> <p>Bank reconciliation undertaken monthly.</p> <p>Regular reviews undertaken of nominal ledgers to assess accuracy of coding and accounting.</p> <p>Thorough maintenance of records to support transactions in the finance system (e.g. invoices, proformas, receipts etc).</p>	
Policy	<p>The following policies have been reviewed in the last 12 months:</p> <ul style="list-style-type: none"> • Standing Orders • Financial Regulations • Investments • Reserves 	
Procurement	<p>Financial Regulations contain clear thresholds for procurement requirements. Training provided to staff involved in procurement to ensure compliance. Records retained and reviewed by internal auditor for</p>	

	<p>procurement above key thresholds.</p> <p>Purchase Order system could be used more consistently to record commitments. .</p>	Y
VAT	<p>Council is registered for VAT. Training provided to data-entry staff on accounting for VAT. Regular checks undertaken to ensure accuracy of records.</p> <p>Supplier checks undertaken for new large suppliers.</p> <p>Annual review undertaken of likelihood of exceeding partial exemption limit.</p> <p>Quarterly returns undertaken.</p>	
Payments	<p>Clear approvals process for payments, made under delegated authority with adequate member oversight. Separation of duties, no individual can make a payment. Two members involved in release of payments. Payment reports submitted to council for additional oversight.</p>	
Budget Control	<p>Robust budgeting process with multi-stage approvals and review. Final approval by Full Council as part of setting precept.</p> <p>Regular reviews of performance against budget at both officer and member level.</p>	
Banking Arrangements	<p>The council's principal banker is RBS; the council uses RBS bankline for digital banking. The council does not have FSCS protection and splits reserves across multiple institutions to spread risk, in accordance with its Investments Policy.</p>	
Income Control	<p>Invoicing system in place. Fees/charges reviewed annually by relevant service committee. Ad hoc income supported by appropriate paperwork.</p> <p>Regular reviews undertaken to assess income against budget lines.</p> <p>Cash handling procedures in place and adequate safety of cash in office in place.</p> <p>Finance Committee reviews outstanding debts quarterly. Bad Debts only written off in accordance with Credit Management Policy.</p>	
Payroll Control	<p>All employees have up-to-date contract of employment and are paid under PAYE. External payroll provider undertakes HMRC reporting and payroll preparation.</p> <p>Salary points formally reviewed annually through Personnel Committee with any NJC changes to salaries applied automatically.</p>	

	Bank signatories receive monthly payroll report providing overview of salary payments and detail of any variation, prior to release.
Asset Control	Asset Register maintained and regularly updated. Reviewed quarterly by internal audit working group and presented to Full Council for noting ahead of approval of AGAR.
Legal Powers	Council holds the General Power of Competence. Legal power for any new activity reviewed before action.
Risk Management	Corporate Risk Register reviewed annually by Full Council.

4.0 RECOMMENDATION

The committee should review the statement and review of the effectiveness of internal controls.