



HORLEY TOWN COUNCIL

Internal Control and Risk Management Policy 2025/26

Statement on Internal Control, Risk Management and Accountability

Horley Town Council (the Council) is a local authority funded by public money and is committed to conducting its business in accordance with the law, proper standards, and best practices. We strive to ensure transparency, integrity and accountability in all our decisions and operations.

To ensure a cohesive approach to governance, this document is hereby merged with the Council's "Risk Assessment and Management" paper with the "Internal Control Policy." By consolidating these formerly separate records into this single Integrated Governance Framework, the Council provides a streamlined and comprehensive overview of how risks are identified, mitigated and audited.

In fulfilling our duties and responsibilities, we adhere to the principles of prudent financial management and highest standards of governance, including openness, fairness and efficiency. We are dedicated to responsible financial management, ethical decision-making and continuous improvement to best serve our community. Through robust policies, effective oversight, and compliance with relevant legislation, the Council aims to maintain public trust and deliver services that meet the needs and expectations of local residents.

Background

The Accounts and Audit (England) Regulations 2011, *Regulation 4 (2)* requires "the Council to conduct an annual review of the effectiveness of its system of internal control which includes the arrangements for the management of risk." The Council also ensures compliance with any subsequent amendments to these regulations.

An effective system of internal control is split into three parts:

- 1. Risk Assessment**
- 2. Control or procedures in place to mitigate the risks identified**
- 3. System for testing the adequacy of internal controls (Internal Audit)**

Risk Assessment

The Council conducted a full risk assessment on 17 March 2026. In that risk assessment, it reviewed financial controls, governance and accountability, inter alia:

- Risk of consequential loss of income
- Loss of cash through theft or dishonesty
- Financial controls and records
- Compliance with HM Customs and Excise Regulations
- Sound budgeting to underlie annual precept
- Compliance with borrowing restrictions
- Business continuity, including contingency planning
- Detailed review of Council Policies (including regulatory compliance and statutory requirements)
- General Data Protection Regulations (GDPR)
- Cybersecurity
- Protection of physical assets
- Protection of the environment and sustainability

- Safety of staff, councillors, contractors and visitors
- Security of buildings, equipment etc
- Supplier and contractor risk management (to evaluate potential risks associated in working with external suppliers and contractors)

Control Systems

The Council has manual reconciliations in place to detect error. Duties are segregated between staff for the operation of its banking systems, with the RFO creating payments and in turn, the Chief Executive Officer and two Councillors, authorising payments (three signatories in total). Members review summaries of receipts and payments, preventing or detecting budget overspends and unauthorised expenditure. A Member (who is neither the Chair of the Council nor a signatory) signs the bank reconciliations and the bank statements as evidence of the verification. Insurance cover is reviewed periodically with a full **Combined Annual Insurance Review** completed annually through appointed Local Government approved brokers.

Internal Audit

An Independent Auditor is in place to check that the internal controls are in place. The scope of internal audit, independence, competence, planning and reporting are shown overleaf.

Audit Programme Content

The Local Councils Governance and Accountability Guidelines have been taken into account in establishing the range of audit work and level of testing. Audit work has been programmed under the following five areas:

1. **Corporate Governance:** This has included a review of the Council's system of administrative control for providing information and instruction to Councillors and staff in relation to their responsibilities and compliance, including legal and statutory requirements.
2. **Transparency Act Regulations:** The review has assessed data to show compliance with the relevant Transparency Act Regulations.
3. **Accounting Practices:** The audit review has assessed the systems for recording and controlling day-to-day accounting transactions. It has included a review of controls covering the recording of income and expenditure, computerised accounting systems, petty cash and budgetary control practices. Attention has also been made to control procedures relating to periodic income and expenditure and the accounting process associated with reconciling the RIALTAS system to Local Government accounting requirements.
4. **Expenditure:** In the main, work has been conducted to review the Council's systems of incurring, validating and authorising payments. Other work included an assessment of system controls covering payroll, General Power of Competence expenditure and miscellaneous payments including expenses.
5. **Income:** The Council's systems for requesting, receiving and controlling income have been reviewed in relation to accuracy of postings, banking arrangements and debtor control.

Annual Accounts: Work on the 2025/26 annual accounts will include validation of the accuracy of the final accounting papers and preparation of supporting documentation required by the external auditor.

LIST OF AUDIT PROGRAMMES

Corporate Governance

- A1 - Control environment
- A2 - Legality

- A3 - Risk management and insurance
- A4 - Fraud and corruption
- A5 - Committee papers and Minutes
- A6 - Assets and investments

Accounting Practices

- B1 - Books of accounts
- B2 - Bank reconciliation
- B3 - Petty cash
- B4 - Budgetary control
- B5 - Reserves/cash balances

Expenditure

- C1 - Accounts for payment
- C2 - Payroll
- C3 - General Power of Competence
- C4 - Capital
- C5 - Miscellaneous income and expenses

Income

- D1 - Receipts and banking arrangements
- D2 - Precept and grants
- D3 - Main areas of expected income
- D4 - Miscellaneous income

Annual Accounts

- E1 -Year-end controls
- E2 -Year-end accounts

Other

- F1 - Salary Payments and PAYE in Real Time (RTI)
- F2 - Community Infrastructure Levy (CIL)

Audit Follow-Up and Reporting

Following an internal audit, any recommendations for improvements will be reviewed by Full Council. A documented action plan will be developed to address any identified issues, ensuring continuous improvement of the Internal Control System. Progress against audit recommendations will be monitored and formally reviewed at subsequent Council Meetings.

Annual review of the effectiveness of internal control and the management of risk 2025/26

Expected Standard	Evidence of Achievement	Yes or No	Areas for Development
<p>1. Scope of internal audit</p>	<p>Terms of reference for internal audit were approved by Full Council on 16.05.23 and will be presented for readoption at the Annual Meeting on 5 May 2026.</p> <p>Internal audit work takes into account both the Council’s risk assessment and wider internal control arrangements.</p> <p>Internal audit work covers the Council’s anti-fraud and corruption arrangements.</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>No development necessary</p>
<p>2. Independence</p>	<p>Internal audit has direct access to those charged with governance (see Financial Regulations).</p> <p>Reports are made to management in the name of the Internal Auditor.</p> <p>Internal Auditor does not have any other role within the Council.</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>No development necessary</p>
<p>3. Competence</p>	<p>There is no evidence of a failure to carry out internal audit work ethically, with integrity and objectivity.</p>	<p>Yes</p>	<p>No development necessary</p>
<p>4. Relationships</p>	<p>All responsible officers (Chief Executive Officer/RFO and Finance Lead) are consulted on the internal audit plan.</p> <p>Respective responsibilities for officers and internal audit are defined in relation to internal control, risk management and fraud and corruption matters (job descriptions and engagement letter).</p> <p>The responsibilities of council members are understood; training of members is carried out as necessary .</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>No development necessary</p>

5. Audit Planning and Reporting	The annual Internal Audit Plan properly takes account of all the risks facing the Council and has been approved by the Council following the adoption of the Risk Assessment and Management Paper 2025/26.	Yes	No development necessary
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Horley Town Council has considered the effectiveness of the Internal Audit control including the arrangements for the management of risk. The review was conducted by Full Council.



HORLEY TOWN COUNCIL
RISK ASSESSMENT AND MANAGEMENT 2025/26

Area	Risk	Likelihood	Severity	Control
Assets	Protection of physical assets	L	M	All buildings insured. Value increased annually by index linking and/or revaluation following a professional underwriting survey (most recently carried out by our insurers in March 2021).
	Security of buildings, equipment etc	M	H	Security, <u>fire/smoke</u> and panic alarms installed at the Council Buildings and serviced and tested regularly, in accordance with current regulations. Passwords and keys strictly restricted to nominated personnel. Additional automatic exit points (motion detected locks) installed on the interior of the two Council Office entry doors to enable safe access and to comply with health and safety regulations. Contents insured. Temporary arrangements are currently in place while the Council Office expansion project is underway with the security of the building under the responsibility of the appointed contractor during possession (up until 1 May 2026). Smartguard Security act as keyholder and attend to callouts to all Council Buildings. Six monthly checks of Fire Panel (with automatic alarm monitoring) carried out by contractor at Council Offices, Innes Pavilion and Café Pavilion along with routine testing. The Café has had a full risk assessment carried out following final completion. The Café has been valued and is insured.
	Climate change and environmental risks	M	H	Adoption of a Horley Town Council Incident Emergency and Resilience Plan.

Finance	Banking	L	M	Accounts are spread between our bankers, HSBC, and other approved Deposit Takers to mitigate financial risks.
	Business continuity	L	M	Insurance cover is £450,000 (to cover loss of income and relocating office during maximum indemnity period of 24 months).
	Loss of cash	L	H	Liability limited to £2,000. No petty cash is kept on Council premises and most receipts are cashless transactions. Safe used for storage of all cash receipts, mayoral chain of office etc. Office keys strictly restricted to nominated personnel.
	Financial controls and records	L	M	Monthly reconciliation prepared by RFO, checked by Chief Executive Officer and reported to Council quarterly. Three signatures on internet banking have been retained for good practice. Two nominated Councillors conduct a review prior to Council meetings and Internal Auditor checks procedures and External Auditors review our accounts.
	Compliance with HMRC Regulations	L	M	VAT payments and claims calculated by RFO and checked by the Chief Executive Officer. Internal and external auditor provides double check. Appropriate systems in place to comply with new legislation on VAT rules and mandatory submissions of VAT Returns to HMRC electronically.
	Sound budgeting to underlie annual precept	L	M	Full Council receive detailed budget vs actual reports. Precept derived directly from this, the Town Plan and committees' review of requirements.
	Compliance with borrowing restrictions	L	L	Advice sought from Surrey Association of Local Councils and internal auditor as appropriate.

	Investment Strategy and Policy	L	M	Horley Town Council has an Investment Strategy and Policy, which is reviewed annually to ensure prudent financial management and compliance with relevant regulations.
Liability	Risk to third party, property or individuals	M	M	Public Liability Insurance held amounting to £10m cover. Open spaces checked regularly. Playgrounds, equipment, and trees checked regularly. Incidents fully investigated if damage reported. A full tree survey of all the trees in the Councils' open spaces is conducted every three years; it was completed most recently in May 2023 and the next one is planned for May 2026. In the interim, all recommended tree works identified by our contractors have been completed and the Council's grounds contractors continue to monitor all our trees and any issues identified so that these are remedied promptly.
	Legal liability as consequence of asset ownership (especially playgrounds)	H	H	Daily and weekly reports of inspections of multi-purpose court, playgrounds and skateboard park and all other equipment as stated in the Asset Register which is kept regularly updated. Annual playground checks made to RoSPA criteria.
	Compliance with HM Revenue and Customs Requirements	L	M	Regular advice available from HMRC and Sage etc. RFO attends regular training as appropriate with HMRC, Sage and other providers to keep up to date with requirements and good practice. Internal and external auditors carry out annual checks.
	Safety of staff and visitors	L	M	Regular Health and Safety Risk Assessment checks of Council Offices particularly before public events. Fire Risk Assessments (FRAs) are undertaken by accredited Fire Protection Company at Council Offices and Innes Pavilion and modifications completed, as required. A further FRA and Crime Prevention Survey (CPS) will be conducted on completion of the Council Office expansion project in May 2026 together with a panic alarm reactivated with feed to

				Surrey Police. HTC Officers trained in accredited Fire Safety Training programme, covering new legislation. HTC Officers each have a dedicated work mobile phone to support occasional homeworking and attending site visits. Detailed Workplace Risk Assessments, Display Screen Equipment (DSE) Assessments are kept under regular review, documented with all safety and security measures put in place in line with Government guidelines. This will incorporate workstation assessments for every staff member when the reconfigured Council office is reopened in May 2026. A Homeworking Policy has been adopted. A Visitor Signing Book is in place to effectively ensure safety and security of visitors, employees, and property especially in case of fire.
Legal Liability	Confirmation that activities are within legal powers	L	H	The Chief Executive Officer clarifies legal position on any new proposal. Legal advice is sought where necessary.
	Proper and timely reporting via the Minutes	L	M	Full Council meets every six weeks and receives and reviews cycle of minutes. Minutes made available to press and public via website.
	General Data Protection (GDPR)	L	L	Councillors and staff will ensure full compliance with current legislation during Council business. A dedicated email inbox named 'Data Protection' is in place to receive enquiries received and this will be managed by HTC Officers. The Chief Executive Officer will oversee the process and sign all correspondence as the appointed Data Protection Officer (DPO). There is no requirement for individual Town Councillors to be registered with the Information Commissioner's Office (ICO).
	Proper document control	L	M	Leases and legal documents are locked in secure cabinets. Scanned electronic copies of all such documents are kept in a secure, confidential area on office computer server.

				Other data storage to comply with Data Protection Act and subsequent legislation (General Data Protection Regulations).
Admin	Data integrity and resilience	M	H	Broadband used for all internet traffic, real-time virus scans on all workstations and the dedicated server and use of up-to-date virus libraries. All data is stored in SharePoint. A copy of the data in SharePoint is backed-up to the iCloud and supported by the Council's appointed IT provider. Security software has been set up on HTC Officers' laptops and other Council owned devices (eg iPads) with multi-factor authentication as extra verification of identity by the user. All Staff and Councillors have been provided with a Cyber Security Training Guide and ongoing support from the Council's IT provider. Passwords are securely stored in a '1 Password Manager'. Cyber Training carried out for all Councillors and Staff, most recently in March 2024. HTC is accredited by Cyber Essentials, which is reviewed annually. Cyber Essentials is an effective, government backed scheme that helps to protect our organisation, against a range of the most common cyber-attacks.
Councillor Propriety	Registers of Interests	L	H	Members' Register of Disclosable Pecuniary Interests completed by all members and reviewed regularly. These are available for public inspection on website or at the Town Council offices by prior appointment.

***Adopted by Horley Town Council: 17 March 2026
Next Review Date: March 2027***