



HORLEY TOWN COUNCIL

INTERNAL CONTROL POLICY 2024/25

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. 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 18 March 2025. 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, councilors, 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 unauthorized expenditure. A Member (who is neither the Chairman of the Council nor a signatory) signs the bank reconciliations and the bank statements as evidence of the verification. Insurance cover is reviewed periodically.

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:

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.

Transparency Act Regulations – The review has assessed data to show compliance with the relevant Transparency Act Regulations.

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 paid to control procedures relating to periodic income and expenditure and the accounting process associated with reconciling the RIALTAS system to Local Government accounting requirements.

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.

Income: The Council's systems for requesting, receiving and controlling income has been reviewed in relation to accuracy of postings, banking arrangements and debtor control.

Annual Accounts: Work on the 2024/25 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 2024/25

Expected Standard	Evidence of Achievement	Yes or No	Areas for Development
1. Scope of internal audit	<p>Terms of reference for internal audit were approved by Full Council on 16.05.23 and will be presented for re-adoption at the Annual Meeting on 6 May 2025.</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>
2. Independence	<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>
3. Competence	<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>
4. Relationships	<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 2024/25.	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.

This Internal Control Policy 2024/25 was approved by Full Council at the meeting held on 18 March 2025.

Adopted by Horley Town Council: 18 March 2025

Next Review Date: March 2026