

Policy

Statement of Internal Control

Background

1. It is important that the council satisfies itself that there is sufficient evidence to confirm that there are appropriate systems of internal control and that they are operational. In addition, that these systems are aligned to processes for managing risk faced by the council and that these controls are subject to professional, independent testing and assessment.
2. Internal control provides reasonable, not absolute, assurance that the objectives of an organisation will be met. The concept of reasonable assurance implies a high degree of assurance, constrained by the costs and benefits of establishing incremental control procedures.
3. At its most basic level, internal control should establish that an organisation produces reliable financial reporting and substantially complies with the laws and regulations that apply to it.
4. At a more advanced level it should measure the extent to which an organisation achieves its strategic and operational objectives: achievement towards these objectives is dependent on other factors such as the impact of events and capacity.
5. Internal control is generally considered to have five components:
 - Control Environment – integrity, attitudes, competence
 - Risk Assessment – identification, analysis of risk
 - Information and Communication systems and processes – the capture and exchange of relevant information
 - Control Activities – policies and procedures
 - Monitoring Processes – to provide and measure the quality of information
6. Effectiveness is measured through:
 - The existence and maintenance of a risk register
 - An annual review of the risk management policy and an annual risk management statement
 - An assessment of compliance with the requirements of external bodies
 - An assessment of compliance with legislation, regulation and guidance
 - Measurement and review of performance against targets
 - A review of anti-fraud measures
 - Clarity and review of purpose, objectives, behaviours, targets and budgets
 - An assessment of control through policies and procedures

- A demonstration of environmental and operational awareness
- An annual plan
- Appropriate internal audit and external audit arrangements
- An open and transparent reporting, including the existence and effectiveness of a whistle-blowing policy.
- Clear communication

From 2014 onwards, I propose to issue a statement of internal control that addresses each of the component areas identified in paragraph 5 using the methods identified in paragraph 6.

This policy will be reviewed annually from 2015 onwards.

John Wright
Town clerk
September 2013