

**ST. ANNE'S TOWN COUNCIL - EFFECTIVENESS OF INTERNAL AUDIT 2015-2016**

<b>INTERNAL CONTROL</b>	<b>SUGGESTED TESTING</b>	<b>TOWN COUNCIL CONTROLS</b>
<b>Proper bookkeeping</b>	<ul style="list-style-type: none"> <li>• Is the cashbook maintained and up to date?</li> <li>• Is the cashbook arithmetic correct?</li> <li>• Is the cashbook regularly balanced?</li> </ul>	<p>The Council use a software program called Scribe 2000 which is specifically designed for Local Councils. Control over these aspects is part of the program.</p> <p>Internal Auditor undertakes annual audit of cashbook.</p>
<p><b>Standing orders and financial regulations adopted and applied; and</b></p> <p><b>Payments controls</b></p>	<ul style="list-style-type: none"> <li>• Has the council formally adopted standing orders and financial regulations?</li>   <li>• Has a Responsible financial officer been appointed with specific duties?</li> <li>• Have items or services above the de minimus amount been competitively purchased?</li>   <li>• Are payments in the cashbook supported by invoices, authorised and minuted?</li>   <li>• Has VAT on payments been identified, recorded and reclaimed?</li> </ul>	<p>Yes – full review for these to be undertaken in 2016.</p> <p>Yes</p> <p>Yes, exceptions have been made with suspension of Financial Regulations for appropriate reasons.</p> <p>Yes</p> <p>From 2016 a schedule of expenditure items is presented to each Council meeting for all items over £300 (except salaries). All cheques require 3 signatories, all internet banking payments require 2 officer signatories and need to be approved by at least 2 Councillors. All credit card payments are checked and approved by 2 officers, then authorised by 2 Councillors when bank statement is circulated to cheque signatory (at least twice per month). This is an additional procedure now incorporated into the Town Council Financial Regulations.</p> <p>Yes – a list is produced by Scribe and reclaimed every 3 months.</p>

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	<ul style="list-style-type: none"> <li>• Is s137 expenditure separately recorded and within statutory limits?</li> </ul>	<p>The Council has adopted the General Power of Competence this is no longer a legal requirement</p>
<p><b>Risk management arrangements</b></p>	<ul style="list-style-type: none"> <li>• Does a review of the minutes identify any unusual financial activity?</li> <li>• Do minutes record the council carrying out an annual risk assessment?</li> <li>• Is insurance cover appropriate and adequate?</li> <li>• Are internal financial controls documented and regularly reviewed?</li> </ul>	<p>To be reviewed by Internal Auditor at final accounts. Nothing identified in last year's audit</p> <p>Yes. This is also included on the agenda – <b>reviewed annually</b></p> <p>Yes, full review of cover undertaken by Town Clerk at renewal. Any changes to cover are noticed to Came &amp; Co immediately.</p> <p>The Internal Auditor recommended that internal scrutiny should be carried out on a regular basis by a small Finance Committee. This is undertaken periodically throughout the year, a detailed summary of each process is recorded.</p>
<p><b>Budgetary Controls</b></p>	<ul style="list-style-type: none"> <li>• Has the council prepared an annual budget in support of its precept?</li> <li>• Is actual expenditure against the budget regularly reported to the council?</li> <li>• Are there any significant unexplained variances from budget?</li> </ul>	<p>Yes</p> <p>A quarterly report is made to the Council.</p> <p>Reasons for any such variances are provided in the covering report.</p>
<p><b>Income Controls</b></p>	<ul style="list-style-type: none"> <li>• Is income properly recorded and promptly banked?</li> <li>• Does the precept recorded agree to the Council Tax authority's notification?</li> <li>• Are security controls over cash and near-cash adequate and effective?</li> </ul>	<p>Yes</p> <p>Yes - To be reviewed by Internal Auditor at final accounts. No matter were raised during the last audit.</p> <p>Ongoing improvements made for cash collection for allotments made during year, payments accepted via electronic banking, cash accepted</p>

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		on specified dates (to reduce the risk of cash handling), batch payments so more accurate data on income records.
<b>Petty cash procedures</b>	<ul style="list-style-type: none"> <li>• Is all petty cash spent recorded and supported by VAT invoices/receipts?</li> <li>• Is petty cash expenditure reported to each council meeting?</li> <li>• Is petty cash reimbursement carried out regularly?</li> </ul>	<p>There is not a Petty Cash account. The Town Clerk reclaims any minor expenditure on a regular basis. In 2014 the Town Clerk was given approval for a Council credit card, which is now normally used for minor expenditure. An additional financial procedure/control is now in place for use of credit card.</p>
<b>Payroll Controls</b>	<ul style="list-style-type: none"> <li>• Do all employees have contracts of employment with clear terms and conditions?</li> <li>• Do salaries paid agree with those approved by the council?</li> <li>• Are other payments to employees reasonable and approved by the council?</li> <li>• Have PAYE/NIC been properly operated by the council as an employer?</li> </ul>	<p>Yes</p> <p>Yes - To be reviewed by Internal Auditor at final accounts. No matters were raised during the last audit.</p> <p>NOTE: Council use independent Accountant to handle tax/insurance liabilities – these and salary payments are made in accordance with Accountants directions.</p> <p>From 2014 the Town Council started to pay across all PAYE/NI amounts to HM Revenue on a monthly basis (as oppose to every 3 months). This was considered important to prevent any errors and reduce risk.</p> <p>From 2015 additional audit back checks put in place to ensure correct statutory payments are</p>

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		made.
<b>Assets controls</b>	<p>Does the council maintain a register of all material assets owned or in its care?</p> <ul style="list-style-type: none"> <li>• Are the assets and Investments registers up to date?</li> <li>• Do asset insurance valuations agree with those in the asset register?</li> </ul>	<p>Yes</p> <p>Yes - To be reviewed by Internal Auditor at final accounts. No matter was raised at the last audit. Those assets needing replacement are insured at replacement value. The Council insurance is fully reviewed every three years, the insurance valuations is cross checked against all items in the asset register.</p>
<b>Bank Reconciliation</b>	<ul style="list-style-type: none"> <li>• Is there a bank reconciliation for each account?</li> <li>• Is a bank reconciliation carried out regularly and in a timely fashion?</li> <li>• Are there any unexplained balancing entries in any reconciliation?</li> <li>• Is the value of investments held summarised on the reconciliation?</li> </ul>	<p>Yes - To be reviewed by Internal Auditor at final accounts. No matters were raised during the last audit. From 2015 all end of year accounts, yearly budget, bonds and money on deposit are checked and signed by Council Chairman.</p> <p>No. Scribe system requires a match between bank balances and transactions made.</p> <p>Yes</p>
<b>Year-end procedures</b>	<ul style="list-style-type: none"> <li>• Are year-end accounts prepared on the correct accounting basis (Receipts and Payments or Income and Expenditure)?</li> <li>• Do accounts agree with the cashbook?</li> <li>• Is there an audit trail from underlying financial records to the accounts?</li> <li>• Where appropriate, have debtors and creditors been properly recorded?</li> </ul>	<p>Yes</p> <p>Yes</p> <p>To be undertaken by the Internal Auditor as part of the review of the accounts for the year. No matters were raised during the last audit. From 2015 additional internal scrutiny process put in place for additional checks to be made by nominated Councillors.</p>