

**ST. ANNE'S TOWN COUNCIL - EFFECTIVENESS OF INTERNAL AUDIT 2018-2019**

INTERNAL CONTROL	SUGGESTED TESTING	TOWN COUNCIL CONTROLS
<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. Internal Auditor undertakes annual audit of cashbook. Two Officers now input into Scribe, back check on all transactions.</p> <p>Internal Auditor now undertakes 2 reviews in a financial year every, 6 months; first review completed November 2018, report completed in response to issues raised.</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> </ul>	<p>Yes – full review completed in 2016 (approved and adopted by Council), Standing Orders updated on 31<sup>st</sup> January 2017 at Full Council. Delegated powers updated and reviewed 2017.</p> <p>Yes – RFO role split from Town Clerk position from 1<sup>st</sup> April 2017, process working well.</p> <p>Yes, exceptions have been made with suspension of Financial Regulations for appropriate reasons.</p> <p>Yes - 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>

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	<ul style="list-style-type: none"> <li>• Has VAT on payments been identified, recorded and reclaimed?</li> <li>• Is s137 expenditure separately recorded and within statutory limits?</li> </ul> <p>Formal decision making by Council legally made and correct recording of decisions?</p>	<p>From 01.04.18 all payments made in any one month are reviewed at the Policy and Resources Committee, this includes, internet banking, cheque and direct debits. Once the payments have been approved, a record is made on each monthly payment sheet and signed by the Chairman.</p> <p>Yes – a list is produced by Scribe and reclaimed every 3 months, checked by RFO The Council has adopted the General Power of Competence therefore this is no longer a legal requirement.</p> <p>The Internal Auditor now reviews all minutes and agenda as part of the internal audit review; any points raised are acted on appropriately by the Town Council.</p> <p><b>From 1<sup>st</sup> January 2019 all original minutes have the consecutive page number printed onto the documents prior to signing by the Chairman.</b></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 – reviewed annually at the Policy &amp; Resources Committee.</p> <p>Yes, full review of cover undertaken by Town Clerk at renewal. Any changes to cover are notified to Came &amp; Co immediately.</p> <p>The Internal Auditor recommended that internal scrutiny should be carried out on a regular basis</p>

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		by a small Finance Committee. This is undertaken periodically by nominated Councillors on the scrutiny group throughout the year, a detailed summary of each process is recorded.
<b>Budgetary Controls</b>	<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 (at least 3 times per year). Reasons for any such variances are provided in the covering report.</p>
<b>Income Controls</b>	<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 – by two nominated Officers. Additional controls introduced from 2017 for allotment payments.</p> <p>Yes - To be reviewed by Internal Auditor at final accounts. No matters 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 on specified dates (to reduce the risk of cash handling), changed to individual voucher payment records from 2018 so more accurate data on income records.</p> <p>Additional checks introduced from 2016, undertaken by the Town Clerk and RFO.</p>
<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> </ul>	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

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	<ul style="list-style-type: none"> <li>• Is petty cash reimbursement carried out regularly?</li> </ul>	<p>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 – reviewed and updated in December 2017.</p> <p>Yes - To be reviewed by Internal Auditor at final accounts. No matters were raised during the last audit.</p> <p>There are no payments made to employees outside the NJC terms and conditions approved by NALC and SLCC. NOTE: Council use independent Accountant to handle tax/insurance liabilities – these and salary payments are made in accordance with Accountants directions. 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. From 2015 additional audit back checks put in place to ensure correct statutory payments are made – system appears robust when monitored in 2016.</p>
<b>Assets controls</b>	Does the council maintain a register of all material assets owned or in its care?	Yes – reviewed and updated regularly.

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	<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 - 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.</p> <p>As per BDO instructions in September 2017, assets gifted are valued at £1, insurance valuations and asset register valuations are considered separately</p> <p>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. <b>Also form part of internal audit process undertaken every six months.</b></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><b>Yes</b></p> <p><b>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.</b></p> <p><b>From 2015 additional internal scrutiny process put in place for additional checks to be made by nominated Councillors.</b></p>

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		Additional process's include additional external auditor producing annual report, accrual accounting procedures introduced and sent to separate external auditor, both Town Clerk and RFO can now complete both audit and end of year accounts.