



<p><b>Recommendation:</b> both councillors signing cheques should sign, or initial the face of the invoice as confirmation of who signed (in case of future queries) and to confirm that they reviewed the supporting documentation. In order to maintain a more complete audit trail additional information could be included here as applicable, cheque number, meeting minute referring to decision, value payable (if not easily visible for example on booking forms, or deposit payments.)</p> <p><b>Note:</b> in small councils, segregation of duties can cause issues. Some banks will not allow separate entry and authorisation of direct bank payments, which also raises concerns. The council should be aware of the risk involved with a single member of staff having sole responsibility for processing invoices, making payments and performing bank reconciliations. The possibility of errors, fraud, or coercion is mitigated by indemnity insurance, and further checks by the Town Clerk and auditors - but it will remain a risk.</p>	<p>R</p> <p>Note</p>
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<p><b>C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</b></p>	<p>YES</p>
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<p>Does a review of the minutes identify any unusual financial activity? no</p> <p>Do minutes record the council carrying out an annual risk assessment? yes</p> <p>Is Insurance cover appropriate and adequate? yes</p> <p>Are internal financial controls documented and regularly reviewed? yes</p> <p>Financial controls are documented in the Financial Regulations, which are reviewed regularly - most recently by the General Purposes Committee in April 2016.</p> <p>The council has a comprehensive risk assessment policy in place. This was reviewed and approved by the General Purposes Committee on 4/4/17.</p> <p>Insurance is held with Zurich.</p>
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<p><b>D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.</b></p>	<p>YES</p>
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<p>Has the council prepared an annual budget in support of its precept? yes</p> <p>Is actual expenditure against the budget regularly reported to the council? yes</p> <p>Are there any significant unexplained variances from budget? no</p> <p>The council has a comprehensive budgetary process. The clerk prepares a "standstill budget" which is passed down to sub-committee level to review and amend. The sub-committees responses are consolidated at the General Purposes Committee level before a final version and the precept is agreed and approved by the Full Council.</p> <p>Progress against budget is regularly reported to council with all variances and required virements well documented.</p>
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The budget for 2018/19 was in process at the time of the interim audit.

UPDATE - Budget now completed and approved

**E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.**

YES

Is income properly recorded and promptly banked? yes

Does the precept recorded agree to the Council Tax authorities notification yes

Are security controls over cash and near-cash adequate and effective? yes

Is the council VAT registered? Are returns submitted in a timely manner. yes, yes

Various income streams are received by the council - hire of rooms, market income etc. These are banked in a timely manner (within a few days for small values, kept locked in a safe until banked). Various independent, manual verifications and double checks are in place. Receipts are given for cash received, and checked to to banked amounts.

Review of minutes shows that room hire rates are periodically reviewed and updated as appropriate.

The council is registered for VAT due the decision to opt to tax one of the buildings in order to reclaim VAT on reurbishment costs. VAT is also charged on tickets to Mayoral events.

**F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.**

YES

Is all petty cash spent recorded and supported by VAT invoices/receipts? yes

Is petty cash expenditure reported to each council meeting? N/a

Is petty cash reimbursement carried out regularly? N/a

The council no longer holds petty cash. When appropriate items are purchased by staff and reclaimed via expenses. There is still a bank account intended to be used to replenish petty cash balances. It holds a low balance, which is incurring monthly bank charges.

**Recommendation: a)** The council should review and update the petty cash procedures (Financial Regulations - paragraph 5.5) to reflect current practices, **b)** consider closing the bank account if it is no longer required, **c)** consider using a standard expenses reclaim form which should include the reason for the claim, payment details (cheque number, BACS date etc.), a signature of approval and the signature of the claimee confirming that it is a true claim for an expense incurred on council business etc.

R

<b>G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.</b>	Yes
<p>Do all employees have contracts or employment with clear terms and conditions? <span style="float: right;">yes</span></p> <p>Do salaries paid agree with those approved by the council? <span style="float: right;">yes</span></p> <p>Are other payments to employees reasonable and approved by the council? <span style="float: right;">yes</span></p> <p>Have PAYE/NIC been properly operated by the council as an employer? <span style="float: right;">yes</span></p> <p>Employees are paid via Sage Payroll and NI &amp; PAYE is properly operated. Review of the minutes demonstrated procedures for agreeing job descriptions, contracts and pay rates.</p>	

<b>I. Periodic and year-end bank account reconciliations were properly carried out.</b>	Yes
<p>Is there a bank reconciliation for each account? <span style="float: right;">yes</span></p> <p>Is a bank reconciliation carried out regularly and in a timely fashion? <span style="float: right;">yes</span></p> <p>Are there any unexplained balancing entries in any reconciliation? <span style="float: right;">no, but some old items</span></p> <p>Is the value of investments held summarised on the reconciliation? <span style="float: right;">yes</span></p> <p>The current account is reconciled monthly, the business/savings account is reconciled quarterly, all other accounts are reconciled annually - reconciliations are signed off by 2 councillors.</p> <p>The business/savings account only has movements from/to the current account, so quarterly reconciliation seems adequate. All other accounts rarely have movements except for interest payments.</p> <p><b>Recommendation:</b> There are a number of older reconciling items on the bank reconciliation - these should be cleared before the end of the year if possible. Councillors reviewing the bank reconciliation should take note that reconciling items are explained and resolved in a timely manner.</p> <p>UPDATE - the older items have now been resolved. All reconciling items are current.</p> <p><b>Recommendation:</b> The review and approval of the bank reconciliation should be reported to a meeting to allow any questions or issues to be minuted, and to make an additional formal record that it has been completed.</p>	
<p>UPDATE - Good controls are in place, the reconciliations are available to and signed off by councillors - however, the suggested of additional reporting to meetings would be in line with the guidelines in Governance and Accountability for Smaller Councils 2017 on page 33.</p>	

<b>J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.</b>	YES
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Are year end accounts prepared on the correct accounting basis (receipts and payments or income and expenditure) ?	Income and Expenditure	
Do accounts agree with the cashbook?		yes
Is there an audit trail from underlying financial records to the accounts?		yes
Where appropriate, have debtors and creditors been properly recorded?		yes
See note A - re issues of transition of posting methods to Sage accounting.		note

<b>K. Trust funds (including charitable) – The council met its responsibilities as a trustee.</b>	Yes
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The council is trustee of two charities		
Town Hall Charity	505718	Sole Trustee
Richard Vernon Trust	236666	3 councillors appointed.
Filings for both are up to date on the charity commission website. Both have minuted meetings separate from council business and separate bank accounts.		

## Other Areas Covered

<b>Fixed Assets Register</b>	
<p>Does the council maintain a register of all material assets owned or in its care? <span style="float: right;">yes</span></p> <p>Are the assets and investments registers up to date? <span style="float: right;">yes</span></p> <p>Do asset insurance valuations agree with those in the asset register? <span style="float: right;">yes, as appropriate</span></p> <p>The council has an Asset Register in an excel spreadsheet. The purposes of holding a fixed asset register include a) to be able to demonstrate (and ensure) continuity of ownership, b) to keep a record of values in terms of insurance and risk appraisal, c) to assist in risk assessments over the risks posed to or by those assets.</p> <p>There is some contention around the correct value to report in your financial statement, and I would concur with whatever the external auditors recommend. However, I believe it is also useful to record true values of assets within the asset register in order to compare to insured values. When items have been donated - you may not need to report the value - but you will need to insure it, and guard against theft. You will not need to report the value of leased assets, but you will need to insure it.</p> <p><b>Recommendation:</b> Consider recording multiple values for each asset - the purchase price (where available), a value to be reported on the annual return (as per external audit advice), and the value for insurance purposes.</p> <p>UPDATE - upon further discussion regarding the registers held, and the nature of the "maximum sum insured" nature of the insurance arrangements I rescind this recommendation. I feel that the council keeps good records, giving adequate controls meeting the needs detailed above.</p>	R
<b>Data Protection</b>	
<p>Date of policy review <span style="float: right;">Nov-17</span></p> <p>ICO Registration <span style="float: right;">A8195831</span></p> <p>GDPR <span style="float: right;">In process</span></p>	

# Annual Internal Audit Report 2017/18

## STONE TOWN COUNCIL

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation **during** the financial year ended 31 March 2018.

The internal audit for 2017/18 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Agreed? Please choose one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	✓		
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic and year-end bank account reconciliations were properly carried out.	✓		
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		
<b>K. (For local councils only)</b>			
Trust funds (including charitable) – The council met its responsibilities as a trustee.	✓		

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

Name of person who carried out the internal audit

18/1/18 + 16/5/18

SANDRA MORRIS ACMA

Signature of person who carried out the internal audit



Date 16/05/18

\*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

\*\*Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).