

# **TOWN AND PARISH COUNCIL INTERNAL AUDIT TESTING**

## **BEDALE TOWN COUNCIL**

### **INTERNAL AUDIT REPORT**

**CLERK: NICK REED**

**VISIT: 23<sup>rd</sup> APRIL 2019**

**YEAR ENDING: 31<sup>ST</sup> MARCH 2019**

<b>INTERNAL CONTROL</b>	<b>SUGGESTED TESTING</b>	<b>FINDINGS</b>	<b>RECOMMENDATIONS</b>
<b>PROPER BOOKKEEPING</b>	Is the cashbook maintained and up to date?	Computerised Financial Director software – Rialtas. Up to date as at year end.	
	Is the cashbook arithmetically correct?	Automatic balancing procedures	
	Is the cashbook regularly balanced?	Bank reconciliation reports presented to each Town Council meeting.	
<b>A) STANDING ORDERS AND FINANCIAL REGULATIONS ADOPTED AND APPLIED; AND B) PAYMENTS CONTROLS</b>	Has the council formally adopted standing orders and financial regulations?	Standing Orders were revised and approved at the 9 <sup>th</sup> April 2018 meeting as were Financial Regulations.	

INTERNAL CONTROL	SUGGESTED TESTING	FINDINGS	RECOMMENDATIONS
	Has a Responsible financial officer been appointed with specific duties?	Clerk – Nick Reed, appointed during the year, with Judith Cockburn as Assistant Clerk.	
	Have items or services above the de minimus amount been competitively purchased?	Tenders required for purchases over £10k. No payments over this limit seen during the year.	
	Are payments in the cashbook supported by invoices, authorised and minuted?	Yes – see testing spreadsheet	
	Has VAT on payments been identified, recorded and reclaimed?	VAT was recorded and reclaimed three times during the year.	
	Is s137 expenditure separately recorded and within statutory limits?	Yes - £1,860 in the year, compared to £5,950 in 2017/18.	
<b>RISK MANAGEMENT ARRANGEMENTS</b>	Does a review of the minutes identify any unusual financial activity?	No unusual activity identified. Inspections of play areas carried out weekly by Market Superintendent. Annual risk assessment by the Play Area Inspection Company.	.

INTERNAL CONTROL	SUGGESTED TESTING	FINDINGS	RECOMMENDATIONS
	Do minutes record the council carrying out an annual risk assessment?	A comprehensive Risk Management Policy and Risk Assessment was reviewed at the 9 <sup>th</sup> April 2018 meeting.	
	Is insurance cover appropriate and adequate?	Yes – cover with Zurich for the year ended 14 <sup>th</sup> June 2019 reviewed. Includes Public & Products Liability (cover £10m), Employers Liability (£10m) Assets (inc toilets £124k, bandstand £67k and other assets), money (£250k inc £5k in an employee's home), personal accident (£500k per person and £2m per incident), libel & slander (£250k), legal expenses (£100k) and fidelity guarantee (£100k).	
	Are internal financial controls documented and regularly reviewed?	Financial controls are detailed in the Risk Management Policy and Risk Assessment which was adopted on 9 <sup>th</sup> April 2018. At the 12 <sup>th</sup> February 2018 meeting an Internal Controls Monitoring checklist was discussed and two councillors volunteered to conduct checks but no evidence seen of these being undertaken.	The Internal Controls Monitoring checklist be used and the checks documented.
	(Burial Authorities only) Is the Council aware of the Ministry of Justice guidance on "Managing the Safety of Burial Ground Memorials"	Not applicable – precept payments to the Burial Board seen.	

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<b>BUDGETARY CONTROLS</b>	Has the council prepared an annual budget in support of its precept?	The Council's budget for 2019/20 was considered at meeting of 10 <sup>th</sup> December 2018. Agreed to retain precept at current level of £63,064. Evidence of detailed review seen.	
	Is actual expenditure against the budget regularly reported to the council?	All payments and income are reported to Council at each meeting	
	Are there any significant unexplained variances from budget?	No significant variations at year end	
<b>INCOME CONTROLS</b>	Is income properly recorded and promptly banked?	Yes. However, the Town Council has a loose arrangement with the independent Bonfire Committee which collects and pays over contributions made towards the annual bonfire. An Event Management Plan and Risk Assessment are now in place.	
	Does the precept recorded agree to the Council Tax authority's notification?	Precept - £31,532 x 2 agrees to Annual return of £63,064.	
	Are security controls over cash and near-cash adequate and effective?	Yes – receipts issued by Superintendent and recorded on form which is then passed to Clerk.	

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<b>PETTY CASH PROCEDURES</b>	Is all petty cash spent recorded and supported by VAT invoices/receipts?	No petty cash. A credit card is used by the Clerk and all expenditure is reported to the Council.	
	Is petty cash expenditure reported to each council meeting?	Not applicable	
	Is petty cash reimbursement carried out regularly?	Not applicable	
<b>PAYROLL CONTROLS</b>	Do all employees have contracts of employment with clear terms and conditions?	Both the Clerk and the Assistant Clerk have been issued with contracts of employment. .	
	Do salaries paid agree with those approved by the council?	Reviewed by Council when NJC pay award announced.	
	Are other payments to employees reasonable and approved by the council?	The Clerk has a Council credit card. No other expenses payments.	
	Have PAYE/NIC been properly operated by the council as an employer?	HMRC records maintained and returns made online.	

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<b>ASSET CONTROLS</b>	Does the council maintain a register of all material assets owned or in its care?	Yes – reported to April 2018 meeting. Total value of assets £473,495.	
	Are the assets and Investments registers up to date?	Yes – computer added and mayor's chain revalued.	
	Do asset insurance valuations agree with those in the asset register?	Yes.	
<b>BANK RECONCILIATION</b>	Is there a bank reconciliation for each account?	Bank reconciliations seen for each account at year end. However, Rialtas had not been updated for income on the CCLA Public Sector Deposit Fund account at the time of the audit.	The Clerk liaise with the providers of the Rialtas system to enable it to be updated with this income before the Annual Return is submitted.
	Is a bank reconciliation carried out regularly and in a timely fashion?	Reconciliations carried out at start of each month on receipt of bank statements. Copies of printout from Rialtas presented to Council minutes.	
	Are there any unexplained balancing entries in any reconciliation?	No balancing entries seen.	
	Is the value of investments held summarised on the reconciliation?	No other investments.	

INTERNAL CONTROL	SUGGESTED TESTING	FINDINGS	RECOMMENDATIONS
<b>YEAR-END PROCEDURES</b>	Are year end accounts prepared on the correct accounting basis (Receipts and Payments or Income and Expenditure)?	Receipts and Payments accounts maintained – produced by Rialtas.	
	Do accounts agree with the cashbook?	Produced from same software. Trial balance print out seen which balances	
	Is there an audit trail from underlying financial records to the accounts?	Yes – see separate testing spreadsheet	
	Where appropriate, have debtors and creditors been properly recorded?	No accruals accounting.	
<b>OTHER ISSUES</b>	Is the Council registered with the Information Commissioner?	Yes – registration no Z2971920 expiring 15/12/2019.	
	What arrangements does the Council have for the back up of computer files?	All data stored on dropbox in a Cloud. Rialtas software backed up to that company monthly.	
	Does the Council have responsibility for any Trust Funds? If so, are they independently examined?	The Council has no trust funds.	