

Audit report & Risk Assessment of Financial systems' internal controls for Nailsea Town Council 2015/16

Prepared by the Internal Auditor & RFO on 7/3/16

No.	Internal Control Tests	Findings
1	Proper Bookkeeping	
1.1	Is the cashbook maintained and up to date?	The Cashbook is maintained on RBS Omega software & was entered upto date & accurately. Separate cashbooks are operated for Current, Business Deposit & NSC Deposit A/c's.
1.2	Is the cashbook arithmetically correct?	RBS software balances the Cashbook for all 3 A/c's & carries forward the month end balances.
1.3	Is the cashbook regularly balanced?	Cashbooks are balanced monthly, by a month-end analysis for both receipts & payments, which are then confirmed by Bank reconciliations, signed by the Chair of F&GP Committee.
2a	Standing Orders and Financial Regulations	
2.1	Has the Council formally adopted standing orders and financial regulations?	S/O's were updated, then approved & minuted at the Meeting on 18/2/15. (Min. 08/15) Fin.Reggs were updated & minuted on 18/2/16 (Min.09/16)
2.2	Has a Responsible Financial Officer (RFO) been appointed with specific duties?	Clerk is the RFO & duties / responsibilities are detailed in the current financial regulations.
2.3	Have items or services above a de minimis amount been competitively purchased?	Clerk is delegated a £500 limit for emergency expenditure. A 3 quote obligation starts at £1.5k, with full competitive tenders for contracts over £15k.
2b	Payments Controls	
2.4	Are payments in the cashbook supported by invoices, authorised and minuted?	Proper invoices support all payments, which are cross-referenced with a cheque no or BACS bill no., date paid, nominal account code & prepared / authorised initials within a stamped box. The cheques or bill payment invoices are signed by 2 Councillors (from 4) & the Clerk. Chair of Finance cannot be a signatory due to internal control need. The recommendation that monthly payment schedule is prepared as an Appendix to the agenda, & when approved is signed /dated by the Chair was accepted at 28/6/06 meeting and was implemented.
2.5	Has VAT on payments been identified, recorded and reclaimed?	Proper VAT invoices are provided, when relevant, with VAT checked & entered into separate code within the nominal accounts. VAT is claimed quarterly using the RBS system, VAT report to detail individual totals. HMRC refund direct to the Current a/c.
2.6	Is s137 expenditure separately recorded and within statutory limits?	S137 payments are entered into a separate code within Cashbook, & were within set limits.

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3	Risk Management Arrangements	
3.1	Does a scan of the minutes identify any unusual financial activity?	Any financial aspects for special events/projects are discussed by Council & then minuted, stating the financial implications involved. Glassworks project ended 2015 & aspects incorporated for the Skatepark project due 2016/17.
3.2	Do the minutes record the Council carrying out an annual risk assessment?	Yes, Council review specific risk assessments annually. An overall NTC Risk Assessment Plan has been developed in response to External Audit comment. This was approved on 1/4/15. (Min.26/15). Annual H&S inspection of Play equipment by Digleys Associates, with a weekly review performed by Handyman who maintains a logsheet which is signed / dated. H&S policy adopted using Ellis Witham for a 3year period. Farmers' Market risk assessment adopted 2015/16.
3.3	Is insurance cover appropriate and adequate?	Insurance is held with Zurich Municipal (3 year policy no. YLL-2720427083) covering standard local council aspects, renewable each April. Employers & Public liability set at £10m, with Personal accident at £50,000 for staff & members. Fidelity guarantee cover is set at £1m. Commercial legal protection insurance covered by DAS Legal policy no. PS1/6121593 upto £100k.
3.4	Are internal financial controls documented and reviewed regularly?	The risk assessment of the financial systems' internal controls was conducted for 2015/16, & this will be updated annually. The review of audit effectiveness & controls performed annually, & minuted by Council on 13/5/15 (Min.44/15)
4	Budgetary Controls	
4.1	Has the Council prepared an annual budget in support of its precept?	The Clerk prepares a Budget each November; based upon each committees' recommendations; & this goes to F&GP Ctte for approval. Full Council ratifies this each December / January, & then North Somerset Council (NSC) is notified of precept required. 2016/17 precept was approved as £457,606 by Council on 17/2/16 (Min.132/15).
4.2	Is actual expenditure against the budget regularly reported to the Council?	Each Ctte monitors actual income & expenditure against Budget every 4/6 weeks, & appropriate action recommended, if required.
4.3	Are there any significant and unexplained variances on budget?	Any virement / amendments are presented by F&GP Ctte. at Full Council for ratification.
5	Income Controls	
5.1	Is income properly recorded and promptly banked?	Invoices are issued for rent charges, car parking, Farmers' market income & some hall hire. Booking forms are used for majority of hall hire (now including Wedding receptions). Receipts are issued for hall hire, allotments & Farmers'

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		market income. Bankings are made promptly into Current a/c., & then coded to nominal a/c's. Youth Grant funding implemented with Foreal in 2015/16. NTC now has a Wedding Licence for Marriage ceremonies /hirings.
5.2	Does the precept recorded in the cashbook agree to the DC's notification?	Precept received in April & September from NSC by BACS (with a remittance advice), direct into Current a/c.
5.3	Are security controls over cash adequate and effective?	Any cash income is receipted & held overnight in a locked safe & then banked promptly with any cheques held. Petty cash is kept in locked tin & held in safe overnight. Offices are locked at night & have security alarm system.
6	Petty Cash Procedures	
6.1	Is all petty cash spent recorded and supported by VAT invoices?	A petty cash imprest of £250 is held & all payments are supported by till slips or pro formas detailing items bought, with VAT shown if relevant.
6.2	Is petty cash reported to each Council meeting?	Petty cash payments are reimbursed as required under normal payment procedure checks. Payment & VAT are shown via journal entry in RBS system.
6.3	Is petty cash reimbursement carried out regularly?	Regular reimbursement is performed via cashed cheques from Current a/c.
7	Payroll Controls	
7.1	Do salaries paid agree with those approved by the Council?	Staff salaries are based on Local Council scales, approved annually & minuted. Wages for Handyman, Caretakers & Orderly are paid on hourly rates, which are agreed & minuted annually. Internal Audit agree salary scales/ hourly rates from employee contracts & confirms any amendments during year (eg. Increments & cost living)
7.2	Are other payments to the Clerk reasonable and approved by the Council?	Casual user mileage is paid under normal payment procedures, with rates agreed annually and minuted.
7.3	Has PAYE/NIC been properly operated by the Council as an employer?	PAYE/ NIC is calculated from HMRC website & paid monthly by BACS. Monthly superannuation payments are made to Bath & NE Somerset Council by BACS. RTI introduced at NTC in 2013/14 & continues to work satisfactorily.
8	Assets Controls	
8.1	Does the Council keep an asset register of all material assets owned?	The asset register is kept on computer, detailing all items held. Annually, the list of assets & leases is approved & minuted by Full Council each May.
8.2	Are the Asset/Investments registers up to date?	The register is updated for new purchases and disposals. <i>Recommend that annual check of assets is performed to confirm items held, which is then signed / dated.</i>

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8.3	Do asset insurance valuations agree with those in the asset register?	The asset valuations are based upon the latest insurance policy details. Valuation for the Annual return is on the 'proxy cost' basis, ie. increased only by actual cost of any asset purchases in that financial year, & not the insured uplift.
9	Bank Reconciliation	
9.1	Is there a bank reconciliation for each account?	Yes, for Current a/c (no.01444832) & Business Deposit a/c (no.93663604), both held at HSBC (Nailsea branch). Reconciliations are signed / dated by Finance Officer & then approved by Chair of F&GP. An Investment a/c is held with NSC, who send a monthly statement showing interest received & current balance.
9.2	Is a bank reconciliation carried out regularly on receipt of statements?	Monthly reconciliations are performed on receipt of bank statements. Online statements can also be accessed during each month. Chair also signs statements to confirm agreement of totals to RBS Omega cashbooks.
9.3	Are there any unexplained balancing entries in any reconciliation?	No, all bank interest, charges & BACS debits were properly entered in Cashbook as per bank statements.
10	Year-end Procedures	
10.1	Are year-end accounts prepared on a receipts and payments or income and expenditure basis?	Income & expenditure basis.
10.2	Do the accounts agree with the cashbook?	Yes, nominal a/c code totals verified to Trial Balance, I&E a/c and Balance Sheet, both monthly & at Year-end.
10.3	Is there an audit trail from underlying financial records to the accounts?	There is a full cross-referencing via invoice / receipt nos. for income, and cheque nos. / BACS bill nos. & date paid for expenditure in the Cashbook. Journals provide an audit trail for VAT via Petty cash & NSC interest received.
10.4	Where appropriate, have debtors and creditors been properly recorded?	Debtors and creditors are listed by RBS system & are shown in supporting papers to Final A/c's.

Signed _____ *P.Reynolds FMAAT* _____ Internal Auditor Date 15/3/16 _____

Signed _____ RFO _____ Date _____

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Action Plan for Recommendations			
No.	Recommendations	Actioned by	Date
8.2	<i>Recommend that an annual check of assets is performed to confirm items are held, which is then signed / dated.</i>		
	All minor queries were resolved during the audit & as no major queries arose, there are no other formal recommendations for 2015/16.		

Signed _____ P.Reynolds FMAAT _____ Date ___15/3/16_____

Internal Auditor

Signed _____ Date _____

RFO