

**Prudhoe Town Council
Review Effectiveness of Internal Controls**

FINANCIAL YEAR 2017/2018

Cllr Gilmore

Cllr Kelleher

The Town Council is required to make arrangements for the proper administration of its financial affairs and to ensure that one officer is responsible for the administration of those affairs.

This requirement is detailed in the Local Government Act 1972 (s.151). At Prudhoe Town Council, the Administrative Officer holds the post of "responsible financial officer".

The Town Council is responsible for ensuring that its financial management is both adequate and effective. This process of management includes a sound system of internal control that includes arrangements for the management of risk.

The Town Council conducts an annual review of the effectiveness of internal control and this document is available for public scrutiny.

The Town Council maintains accounts and supporting records in accordance with the appropriate legislation and national guidelines. These accounts are available for public scrutiny.

Under the regulations, all local councils must at least once a year conduct in accordance with proper practices a review of the effectiveness of their system of internal control and publicly report the outcome.

The Annual Governance Statement in Section 1 of the annual return provides the means for local councils to report to local taxpayers on their system of internal control.

Summary Report

All spot checks matched the cash sheet and accounts submitted. Recommendation made to change requirement for a Purchase Order to spends of £500+ from the current requirement for £250+. Asset register needs to be published more prominently on website. Financial Risk Audits need to be held annually and Building and Land assets need to be inspected.

M. W. Kelleher
24/5/2018

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Proper bookkeeping	Date Checked	Evidence and/or action	√
Is the cashbook up to date and maintained accurately?	16/05/2018	Spreadsheet is up to date. Invoices match spreadsheet entries.	
Is the cashbook regularly balanced?	16/05/2018	Spreadsheet balanced monthly.	
Are cheque stubs completed?	16/05/2018	Completed in full, and matches invoices.	
Are BACS payments recorded adequately?	16/05/2018	BACS payments recorded on schedule.	
Is money moved between accounts accordingly?	16/05/2018	Evidence on account TBP sheet and spreadsheet.	
Standing orders and financial regulations	Date Checked	Evidence and/or Action	√
Has the council formally adopted standing orders and financial regulations?	16/05/2018	1718/007 agenda ref. on 10/05/17	
Has a Responsible Financial Officer been appointed with specific duties?	16/05/2018	1718/008 agenda ref. on 10/05/17	
Have works, goods or services above the de minimus amount been competitively purchased?	16/05/2018	Example: Cleaning tender for toilets agreed by whole council.	
Are works, goods or services over £250 supported by a purchase order?	16/05/2018	Yes but recommend this is raised to £500.00	
Do invoices for payments over £1,000 include a minute reference showing agreed spending?	16/05/2018	Endorsed minute ref 1718/122	
Do the 'schedule of payments' match the payments made and with the correct legal authority?	16/05/2018	Spot checks show match	
Are payments in the cashbook supported by invoices?	16/05/2018	Spot checks on cashbook match invoices.	
Are invoices approved for payment by the clerk before being processed for payment?	16/05/2018	Recent invoices approved and stamped by clerk. Period when no stamp was available has a written endorsement from clerk.	

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Standing orders and financial regulations	Date Checked	Evidence and/or Action	√
Are invoices passed to the RFO by the clerk and processed in a timely manner?	16/05/2018	Clerk and RFO are same person.	
Is there evidence that 2 Councillors with signing authority are involved in every transaction to a third party?	16/05/2018	All invoices have been signed by 2 councillors	
Has VAT on payments been identified, recorded and reclaimed?	16/05/2018	Reclaimed on VAT return correspond with invoice	
Is s137 expenditure separately recorded and within statutory limits?	16/05/2018	Evidence on cash sheet	
Internal Control/Risk Management	Date Checked	Evidence and/or Action	√
Does a review of the minutes identify any unusual financial activity?	16/05/2018	Nothing unexpected found within minutes	
Do minutes record the council carrying out an annual risk assessment?	16/05/2018	Minuted 29/06/16 (1617/027) was not minuted in 2017 meetings. Updated version to be presented on 30/05/18	
Are there examples where the risk assessment has been reviewed and updated throughout the year?	16/05/2018	Unable to find evidence of review in 17/18	
Is insurance cover appropriate and adequate?	16/05/2018	Yes, item values seem adequate	
Are internal financial controls documented and regularly reviewed?	16/05/2018	Reviewed at AGM	
Budget	Date Checked	Evidence and/or Action	√
Has the council prepared an annual budget in support of its precept?	16/05/2018	Ordinary meeting 31/1/2018 (1718/143)	
Is actual expenditure against the budget regularly reported to the council?	16/05/2018	28/05/2018 (1718/170)	
How does the council review Budget Spending?	16/05/2018	Reviewed at Ordinary Meeting 1718/170	

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Budget (continued)	Date Checked	Evidence and/or Action	√
What action does the council take if a particular budget heading is likely to overspend?	16/05/2018	26/07/2017 (1718/047)	
What action does the council take if a particular budget heading is below spending expectations?	16/05/2018	26/07/2017 (1718/047)	
Are there any significant unexplained variances from budget?	16/05/2018	Nothing unexpected	
Is income properly recorded and promptly banked?	16/05/2018	Yes. Recorded on cash sheet	
Are charges by the council for rent or fees reviewed regularly?	16/05/2018	1718/179 Councillors agreed to cemetery fees	
Does the precept recorded agree to the Council Tax authority's notification?	16/05/2018		
Are security controls over cash and near-cash adequate and effective?	16/05/2018	Within locked cash boxed, within a safe, in a locked office	
Petty Cash/TVLS	Date Checked	Evidence and/or Action	√
Is petty cash spent recorded and supported by VAT invoices/receipts?			
Is petty cash expenditure reported to each council meeting?			
Is petty cash reimbursement carried out regularly?			
Is TVLS refund cash recorded/reimbursed and held adequately and securely?	16/05/2018	TVLS voucher refunds recorded. Cash kept within locked cash boxed, within a safe, in a locked office	
How often is TVLS cash reconciled?	16/05/2018	Recorded and dated	

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Payroll/Pension Controls	Date Checked	Evidence and/or Action	√
Do all employees have contracts of employment with clear terms and conditions?	16/05/2018	Yes, held in office	
Do salaries paid agree with those approved by the council?	16/05/2018	26/07/2017 (1718/040)	
Are other payments to employees reasonable and approved by the council?	16/05/2018	26/07/2017 (1718/040)	
Have PAYE/NIC been properly operated by the council as an employer?	16/05/2018	Reconciled monthly	
Have Pension contributions been accurately collected and paid by the council?	16/05/2018	Reconciled monthly	
Are staff files updated and held securely?	16/05/2018	Secure in locked office.	
Assets Controls	Date Checked	Evidence and/or Action	√
Does the council maintain an up to date register of all material assets owned or in its care?	16/05/2018	Asset register matches insurance policy	
Do asset insurance valuations agree with those in the asset register?	16/05/2018	Asset register matches insurance policy	
Are land and building assets published on the town council website?	16/05/2018	Yes but are within meeting papers and not easily accessed. Sarah to move on website.	
Are building and land assets inspected each year?	16/05/2018	Play area inspected weekly by NCC, otherwise no. To be actioned by Councillors.	
Where rent is due on land or buildings, is this regularly reviewed?	16/05/2018	No evidence for this year.	

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Transparency	Date Checked	Evidence and/or Action	√
Do the council publish meeting agendas, and associated meeting papers not later than three clear days before the meeting to which they relate?	16/05/2018	Evidence on website and Social Media accounts	
Do the council publish meeting minutes within 30 days of meeting held?	16/05/2018	Evidence on website and on request	
Do the council publish all expenditure over £100, including date, purpose and VAT?	16/05/2018	Evidence on website and on request	
Do the council publish the result of internal audit, end of year accounts, governance statement and external audit report?	16/05/2018	Evidence on website	
Do the council publish a list of Councillors responsibilities?	16/05/2018	Evidence on website and newsletter	
Do the council publish a list of land and building assets?	16/05/2018	Needs to be available on different area of the website and within minutes.	
Do the council publish a list of contractors?	16/05/2018	Listing on website	