

PARISH OF GODALMING

Tel: 01483 523575
Fax: 01483 523077
E-Mail: office@godalming-tc.gov.uk
Website: www.godalming-tc.gov.uk

Municipal Buildings
Bridge Street
Godalming
Surrey GU7 1HT

Sir/Madam

I HEREBY SUMMON YOU to attend the Annual Meeting of the Godalming Town Council to be held (pursuant to Public Notice) in the Council Chamber, Municipal Buildings, Bridge Street, Godalming on THURSDAY, 11 MAY 2017 at 7.00pm.

DATED this 5th day of May 2017.

Andy Jeffery
Acting Clerk to the Town Council

The meeting will be preceded by prayer – all who wish to participate in prayers are most welcome to do so; however, anyone not wishing to participate may leave the chamber or sit quietly for the short duration of the prayers. All individuals' decisions in this matter are respected.

A G E N D A

1. ELECTION OF TOWN MAYOR

To ELECT a Town Mayor for the ensuing year:

Proposer: Councillor Reynolds
Secunder: Councillor Cosser

[The newly elected Town Mayor and Councillor Hunter will retire from the Council Chamber in order that the new Mayor can be robed.]

2. THE NEW TOWN MAYOR

The newly elected Town Mayor (accompanied by Councillor Hunter) will return to the Council Chamber and will take the chair.

3. DECLARATION OF ACCEPTANCE OF OFFICE

The Town Mayor will make the Declaration of Acceptance of Office and return thanks.

4. THE CONSORT

The Mayoress to receive her Chain and Badge of Office.

5. VOTE OF THANKS TO RETIRING TOWN MAYOR

TO PASS a vote of thanks to the retiring Town Mayor:

Proposer: Councillor Wheatley
Secunder: Councillor Gray

6. PRESENTATION OF PAST MAYOR'S BADGE

Councillor Hunter to be presented with his Past Mayor's Badge.

7. ELECTION OF DEPUTY MAYOR

To ELECT a Deputy Town Mayor for the ensuing year

Proposer: Councillor Welland
Secunder: Councillor Bolton

[The Deputy Town Mayor to receive his Chain and Badge of Office and make the Declaration of Acceptance of Office.]

8. CONSORT TO THE DEPUTY MAYOR

The Mayoress to the Deputy Town Mayor to receive her Chain and Badge of Office.

9. MINUTES

The TOWN MAYOR to sign as a correct record the Minutes of the Meeting of the Council held on 27 April 2017.

10. TO RECEIVE APOLOGIES FOR ABSENCE

To receive apologies for absence.

11. PETITIONS/STATEMENTS/QUESTIONS FROM MEMBERS OF THE PUBLIC

THE TOWN MAYOR to allow members of the public to ask the Council questions, or make a statement or present a petition. This forum to be conducted in accordance with Standing Order 4.

12. DISCLOSABLE PECUNIARY INTERESTS AND NON-PECUNIARY INTERESTS

To receive from Members any declarations of interests in relation to any items included on the Agenda for this meeting required to be disclosed by the Localism Act 2011 and the Godalming Members' Code of Conduct.

13. OFFICIAL ANNOUNCEMENTS, LETTERS, ETC

TO RECEIVE official announcements, letters etc.

14. SEALING OF DOCUMENTS, ETC

TO AUTHORISE the Clerk to sign or, where appropriate to have sealed on behalf of the Town Council any orders, deeds, or documents necessary to give effect to any of the matters contained in the Reports received at this meeting or in any Resolution passed by the Council.

15. MEMBERSHIP OF THE POLICY & MANAGEMENT COMMITTEE

Members to note that, in accordance with SO 105, nineteen of their number will serve as Members of the Policy & Management Committee. The Committee Members are as follows:

Councillor P Martin
Councillor Gordon-Smith
Councillor Poulter
Councillor Cosser
Councillor Wheatley
Councillor T Martin
Councillor A Bott
Councillor Hunter
Councillor Reynolds
Councillor S Bott
Councillor Noyce
Councillor Welland
Councillor Williams
Councillor Pinches
Councillor Bolton
Councillor Gray
Councillor Walden
Councillor Purkiss
Councillor Wainwright

16. ELECTION OF MEMBERS TO THE MAYORALTY COMMITTEE

Members to elect, in accordance with SO 108, six of their number as Members of the Mayoralty Committee of which at least three shall have served as Town Mayor (if that is possible).

The nominees for the Committee are as follows:

Councillor Gordon-Smith
Councillor Cosser
Councillor Wheatley
Councillor A Bott
Councillor Hunter
Councillor Noyce

17. ELECTION OF MEMBERS TO THE AUDIT COMMITTEE

Members to elect, in accordance with SO 110, five of their number as Members of the Audit Committee.

The nominees for the Committee are as follows:

Councillor Noyce
Councillor Williams
Councillor Pinches
Councillor Bolton
Councillor Purkiss

18. ELECTION OF MEMBERS TO THE STAFFING COMMITTEE

Members to elect, in accordance with SO 106, six of their number as Members of the Staffing Committee, one of which to be the Chairman of the Policy & Management Committee.

The nominees for the Committee are as follows:

Councillor Poulter
Councillor A Bott
Councillor Williams
Councillor Gray
Councillor Walden
Chairman of Policy & Management Committee (*ex officio*)

19. ELECTION OF REPRESENTATIVES TO OUTSIDE BODIES

Members to elect Town Council representatives to outside bodies shown at Annexe A.

20. BANK MANDATE

In accordance with Financial Regulation 5.1 it is necessary for Full Council to agree the Council's Bank Mandate and the following resolution is recommended:

The Town Council resolves that the Council's bankers shall be authorised to honour all cheques drawn on the Council's accounts or instructions for direct debits or standing orders provided the order for payment or instruction is signed by any two of the holders, for the time being, of the following offices:

- The Town Mayor
- The Deputy Town Mayor
- The Chairman of the Policy & Management Committee
- The Vice-Chairman of the Policy & Management Committee
- The Chairman of the Staffing Committee
- The Chairman of the Mayoralty Committee

Provided that they shall be different persons.

The Town Clerk & Responsible Finance Officer should be instructed to complete a bank mandate to effect the resolution above.

21. REPORT OF THE INTERNAL AUDITOR

Members to consider the report of an internal audit conducted on 26 April 2017 by the Council's Internal Auditor Mulberry & Co (the report is attached for the information of Members) and to note the comments of the Audit Committee thereon.

22. ANNUAL GOVERNANCE STATEMENT

The Annual Governance Statement is attached for the information of Members and Members are required to consider the answers to the questions posed by the Statement. Members are advised to consider the Audit Committee's recommended answers to those questions alongside the Annual Governance Statement and those recommended answers will be circulated after the Audit Committee meeting to be held on 8 May 2017.

23. ACCOUNTING STATEMENTS 2016/17

Members to consider and agree the Town Council's Accounting Statements for the Financial Year Ended 31 March 2017 (copy of Section 2 of the Annual Return is attached for the information of Members).

24. DATE OF NEXT MEETING

The date of the next Full Council meeting is scheduled to be held on Thursday, 20 July 2017 at 7.00pm in the Council Chamber.

25. ANNOUNCEMENTS

Brought forward by permission of the Chairman. Requests to be submitted prior to commencement of the meeting.

ROBES WILL BE WORN

To: The Town Mayor and Councillors of the Parish of Godalming

19. NOMINATIONS TO EXTERNAL BODIES 2017/18

<u>EXTERNAL BODY</u>	<u>REPRESENTATIVES 2016/17</u>	<u>REPRESENTATIVES 2017/18</u>
District Scout Council	Cllr Wheatley	Cllr Wheatley
Fairtrade Steering Group	Cllr Wheatley	Cllr Wheatley
Farncombe Day Centre	Cllr Gray	Cllr Gray
Godalming & District Chamber of Commerce	Cllr Poulter	Cllr Poulter
Godalming/Joigny Friendship Association	Town Mayor (Ex Officio)	Town Mayor (Ex Officio)
Godalming/Mayen Association	Town Mayor (Ex Officio)	Town Mayor (Ex Officio)
Godalming Museum Trust	Cllr Gordon-Smith	Cllr Gordon-Smith Cllr S Bott
Godalming Transportation Task Group (SCC)	Cllr Walden Cllr Bolton	Cllr Walden Cllr Bolton
Go-Godalming Association	Town Mayor (Ex Officio) Cllr Gordon-Smith	Town Mayor (Ex Officio) Cllr Gordon-Smith
Holloway Hill Sports Association	Cllr T Martin	Cllr T Martin
St Mark's Community Centre Management Committee	Cllr Pinches	Cllr Pinches
St Mark's Community Initiative Group	Cllr Bolton	Cllr Bolton
SALC (formerly SCAP&TC)	Cllr Cosser	Cllr Cosser
SCC – Tree Wardens	Cllr Williams	Cllr Williams
Sport Godalming	Cllr P Martin	Cllr P Martin
Godalming Together CIC	Cllr A Bott	Cllr Purkiss
Waverley Citizens Advice Bureau (observer)	Cllr S Bott	Cllr S Bott
Waverley Cycle Forum	Cllr Purkiss	Cllr Purkiss

Godalming Town Council

Internal Audit

Year Ended 31st March 2017



Prepared by: Mulberry & Co
Date of Interim Visit: 18th November 2016
Date of Second Interim Visit: 24th February 2017
Date of Final Visit: 26 April 2017

Law and Regulation Regarding Internal audit

Regulation 6 of the Accounts and Audit (England) Regulations 2011 imposes a duty on local councils to ‘maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Internal audit is a key component of the system of internal control.

The purpose of internal audit is to review and report to the council whether its systems of financial and other internal controls over its activities and operating procedures are effective.

Internal audit’s role is to assist the council in fulfilling its responsibility to have and maintain proper internal control arrangements and those for the prevention and detection of fraud, error or mistakes

All internal audit work must be reported to the council. Any report by internal audit is addressed to the council, may recommend actions to be taken by the council, and should be treated as a document open to view by local taxpayers.

Two pieces of legislation set out how local councils should behave when accounting for the public funds they manage and what rights local taxpayers have in relation to those accounts. These are the **Audit Commission Act 1998** and the **Accounts and Audit Regulations issued from time to time under the Act**. The requirement for local councils to prepare accounts annually and to subject them to external audit comes from the Audit Commission Act 1998 (the Act). The Act describes the rights of taxpayers and other interested parties in relation to those accounts.

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 2 of the annual return provides the means for local councils to report to local taxpayers on their system of internal control.

This report is prepared for the council and proper officers of the council named above, for use in fulfilling their obligations under the Audit Commission Act 1998 and the Accounts and Audit Regulations issued from time to time under the Act for preparing the Annual Return and reviewing the effectiveness of their system of internal controls. Mulberry and Co accept no responsibility for any action or inaction taken as a result of the findings of this report and accept no responsibility to any other party other than those named above.

No part of this material may be reproduced in any form without the prior permission of Mulberry & Co.

Contents

Law and Regulation Regarding Internal audit	2
Summary Findings.....	4
Points Forward – Action Plan.....	9
Overview of Council.....	11
Professional Independence and Competence Questionnaire	12
Budget.....	14
Timetable	15
Inherent Risk Assessment.....	16
Specific Audit Plan	17
Audit Findings	19
(A) Proper Bookkeeping.....	19
(B) Financial Regulations, Standing Orders & Payment Controls	20
(C) Risk Management.....	22
(D) Budgetary Controls	23
(E) Income Controls	24
(F) Petty Cash Procedure	25
(G) Payroll Controls.....	26
(H) Asset Control.....	28
(I) Bank Reconciliation	29
(J) Year – End Procedures	30
(K) Trust funds (including charitable)	31

Summary Findings

I enclose my interim report for your kind attention and presentation to the council. My audit was conducted in accordance with current practices and guidelines and testing was conducted in line with the inherent risks assessment. Whilst I have not tested all transactions, my sample has where appropriate covered the entire year to date. Amongst others, the following areas were covered in my testing:-

- Review of the Financial Regulations & Standing orders
- Review of the Risk Assessments
- Review of the Budgeting process
- Proper Bookkeeping – review of the use of the RBS package.

It is my conclusion that the council has robust policies and procedures in place that are fit for purpose and it has provided evidence to show it is following its own financial regulations and standing orders. In addition to this, the council has risk management strategies in place and policies that enable it to achieve its principle objectives and where there is a financial risk this is appropriately insured for.

Councillors are informed individuals and are provided opportunities for training and every effort is made by the council to ensure new members are given training and support.

The council staff are trained and demonstrate a good working knowledge of the council and actively seek to make continuous improvements for the betterment of the council.

I conclude that at the interim stage there are no significant matters that require attention and whilst my report does recommend a couple of improvements these are only to improve upon an already well ordered system.

A. BOOKS OF ACCOUNT

The council continues to use RBS an industry specific accounting package. I have tested the brought forward balances against the prior year annual return and can confirm these have been brought forward correctly.

The RBS system is used daily to report and record the financial transactions of the council and a review of the cashbook shows that all data fields are being entered, the hard copy reports are easy to read and logically filed. I therefore make no recommendation to change in this system.

The council also uses Sage Line 50 for its payroll function.

The council uses a diary based/manual system for hall hires and a manual system for burials.

The clerk/RFO is responsible for ensuring staff are trained and this is reviewed via annual the appraisal system.

B. FINANCIAL REGULATIONS, STANDING ORDERS, POLICIES

The NALC model Financial regulations were taken to council in March 2016, and duly approved.

The NALC model Standing Orders were taken to council November 2015 and duly approved. It was demonstrated that three clear working days notice is given of council meetings.

The council has a number of policies in place and a robust attitude to maintaining and following these on an ongoing basis.

The NALC model Members Code of Conduct was last reviewed/adopted in September 2013. No amendments or changes have been made since that date; however, the governance committee will be

reviewing before the year end. It was demonstrated that the declarations of interest were signed within 28 days of appointment.

The council has an open-door policy and an ethos to providing training and support to members throughout their term as councillor's. The council has a training budget in place and all councillors are given a member's pack that contains policies and regulations.

Council is given authority to spend via the annual budget process, payments are made so long as there is available budget. It is clear council has good robust systems, policies and regulations in place and takes seriously its responsibility in this regard.

Council has 20 member positions of which no are currently vacant. Council meets regularly throughout the year.

Payments are authorised in accordance with financial regulations and a dual signatory system is in place for all payments including BACs. This was confirmed by testing at both interim and final audits. Council is seen to approve bad and doubtful debts.

C. RISK MANAGEMENT & INSURANCE

The council has a risk strategy in place and monitors and reviews risk on an ongoing basis. Council is aware of and has policies in place to mitigate financial risk. We were able to confirm that risk assessments and a review of the Council's internal control environment were considered in detail at a meeting of the Audit Committee on 16 March 2017.

Council is insured with Aviva on a standard local authority long term deal. Asset and money cover appear adequate.

The council is working on a neighbourhood plan and does have a work programme in place for the audit and staffing policy & management committees. Whilst there is no business plan in place there is an understanding of what the council wants to achieve over the foreseeable future.

D. BUDGET & PRECEPT

We confirmed that formal approval of the council budget and precept for 2017-18 was completed at the Full Council meeting of 19 January 2017. All statutory deadlines were met.

At 31 March 2017 the Council held bank balances of £341K, of which approximately £150k is currently earmarked. This level of reserves is considered adequate for a council of this size.

E. INCOME

E1 - Income from Hall Hiring

I attended site on the 24th February to test the income of the council, specifically income from hall hiring. The council has a digital calendar based appointments system; however, this is not linked to the invoicing system, nor the financial accounting package.

There are 5 locations that can be let out with all sites apart from Broadwater being dealt with by the council office. The Broadwater site is managed exclusively by Suzie at the Broadwater site.

The council is responsible for reviewing and updating the annual charges for each location and testing showed this to have been completed in year.

Each site is allocated a colour on the appointments calendar and in some cases this colour is changed when the booking is paid for; however, this is not consistent across the sites and different colours are used for this purpose by different users.

The system for accepting a booking is similar across the sites. An enquiry is made and the appointment system populated with key details regarding the hire. This does not automatically trigger the raising of an invoice.

Invoices are manually raised and written at various times depending on location of the hire or whether or not the hirer is a one off or a regular customer. There is no way of using the appointments system to see if all appointments have been invoiced and or paid. It is possible to drill into the individual appointment notes by clicking on each appointment on the calendar screen and on occasion these will detail invoice numbers and payment details; however, testing proved this to be inconsistent and in one case unreliable with details not matching the hard copy invoice.

The manual nature of the system requires a level of thoroughness, that as the volume of bookings increases, becomes unmanageable and susceptible to error. I will add at this point, that Rita and Suzie were able to demonstrate a high level of accuracy and that my testing was in the main successful.

Access to the Broadwater site is via a deadlock key and alarm code. The key is issued in the post prior to the booking or on occasion left under a cone in the field. The alarm code has not in memory ever been changed. There has in the past been incidence of hirers using the site out of the allocated time slot.

Risk Areas

- Inconsistent processes for raising invoices can lead to bookings not being paid for or missed. At the point of making a booking an invoice should be raised automatically and issued to the customer. In the event a customer does not require the booking – depending on terms and conditions this can be credited back or monies retained.
- Inconsistent treatment of deposits, some are banked some are kept.
- Manual hand written invoices rely on preparer to look up multiple details regarding the booking, namely rates and periods if a regular hirer. This is prone to error and misstatement.
- Hand written invoices can look scrappy.
- Cash in transit – it is possible for payment for the Broadwater site to be paid direct to that site, cash in transit between the sites is a risk area.
- Unauthorised access to sites, where keys given in advance.
- Heavy reliance on detailed knowledge of current staff – processes not documented.

Recommendations

- I would recommend that the council review enhancing the appointments system and invest in the automatic digital link to the RBS invoicing system. This will ensure that at the point of appointment, invoices are raised, hire charges are pre-programmed, and the presentation of the invoice is consistent. In addition to this, staff time will be saved not manual writing invoices, the cost of printing triplicate invoice pads will be avoided and time will be saved processing invoices on RBS as these will be automatically posted the financial accounting system.
- The council should consider changing the locks at Broadwater for a security key that cannot be copied, and the alarm code should also be regularly changed. In addition to this I would recommend a key safe be used instead of the post or cone, again the code on this can be changed weekly to prevent misuse.
- Deposits should be banked entire and returned in the same manner if not required.
- Payment for hiring should be bacs/online

- The process for making a booking needs to be written down and in the event that staff members leave this process can be transferred to a new staff member without the loss of retained knowledge.

E2 – Other Income

We carried out detailed testing of non-hall income as part of our final audit visit. We were able to confirm that invoicing was carried out accurately and on a timely basis for transactions tested. We have identified one recommendation relating to recharge income from the Joint Burial Committee (JBC)

The Council received income of £27K from the JBC in 2016-7. However, we were unable to locate a service level agreement with the JBC to support this recharge. It is recommended that a SLA is drawn up between the JBC and the Town Council. This should determine what services are provided by the Town Council to the JBC and what the annual charge for these services should be. The SLA should be reviewed periodically.

F. PETTY CASH

The Council holds one petty cash account, with a maximum balance of £200 held at any one time. We confirmed that the petty cash balance is counted on a monthly basis and signed off by two officers. We also reviewed transactions passing through the petty cash account, and confirmed they are small transactions that would be expected to be paid from petty cash.

We noted that the Council does not currently have a corporate procurement card, but instead relies on an imprest system to pay for items that need to be paid by credit card (eg certain suppliers / internet purchases / software licences). The absence of a corporate credit card means that the officers have to use their own credit cards to make expenditure on behalf of the council, and reclaim monies from the council.

It is recommended that the Council considers obtaining a corporate procurement card for use by the Clerk or Acting Clerk. This should have:

- A single transaction limit to be determined by Councillors
- Expenditure category restrictions to be determined by Councillors.

G. PAYROLL

Our testing confirmed there is a robust system in place for production and checking of monthly payroll. We were also able to confirm that all changes to payroll for example acting up allowances are confirmed by minutes of Council meetings. There are also strong controls over payments to staff, with Councillors authorising payments to staff through bank.

H. ASSETS AND INVESTMENTS

The asset registers are up to date and properly maintained. The Statement of Accounts balance for fixed assets at 31 March 2017 was agreed to the Council's fixed asset register at that date.

I. BANK RECONCILIATIONS

The bank reconciliations for all accounts are properly prepared and presented to council and committee for verification and approval. The system of reconciliation is working correctly.

The reconciliation at the 30th September was verified in detail. We also tested the bank reconciliation at 31.3.17. We were able to confirm balances to cashbook and to bank statements. Unpresented cheques were tested to presentation at bank in early April.

J. YEAR END ACCOUNTS

We were able to agree the draft financial statements compiled by the finance officer from the accounts to the trial balance and to confirm the trial balance could be traced into the accounts. It was noted that there is an issue with one of the reports in the RBS Omega package that means that the accounts needed to be compiled manually. It is recommended that this is raised with the software supplier.

We also reviewed year end debtors and creditors in the draft accounts at our final audit visit. We identified a provision for bad debt for £12K, with a description Davies – The Square Rent. This was confirmed to have been raised in error and was removed from the ledger, which increased reserves by £12K.

K. TRUSTEESHIP

N/A

Mark Mulberry
Internal Auditor
27 April 2017

Points Forward – Action Plan

Point Forward / Action needed	Auditor notes	Council response
Other – Interim Audit		
Payment approval sheets	The system of approving payments is working, although I would suggest perhaps looking to see if a transaction number or payment date can be used in place of a calendar period to avoid back posted items being omitted.	
Income from Hall Hiring – Interim Audit		
Appointment System	I would recommend that the council review enhancing the appointments system and invest in the automatic digital link to the RBS invoicing system. This will ensure that at the point of appointment, invoices are raised, hire charges are pre-programmed, and the presentation of the invoice is consistent. In addition to this, staff time will be saved not manual writing invoices, the cost of printing triplicate invoice pads will be avoided and time will be saved processing invoices on RBS as these will be automatically posted the financial accounting system.	
Broadwater Locks	The council should consider changing the locks at Broadwater for a security key that cannot be copied, and the alarm code should also be regularly changed. In addition to this I would recommend a key safe be used instead of the post or cone, again the code on this can be changed weekly to prevent misuse.	

Deposits	Deposits should be banked entire and returned in the same manner if not required.	
Payment for Hires	Payment for hiring should be bacs/online	
Final Audit		
Joint Burial Committee	It is recommended that a SLA is drawn up between the JBC and the Town Council. This should determine what services are provided by the Town Council to the JBC and what the annual charge for these services should be. The SLA should be reviewed periodically.	
Procurement Card	It is recommended that the Council considers obtaining a corporate procurement card for use by the Clerk or Acting Clerk. This should have: <ul style="list-style-type: none"> - A single transaction limit to be determined by Councillors - Expenditure category restrictions to be determined by Councillors. 	
Omega System – Annual Accounts Reporting	It was noted that there is an issue with one of the reports in the RBS Omega package that means that the accounts needed to be compiled manually. It is recommended that this is raised with the software supplier.	
Bad Debt Provision	We identified a provision for bad debt for £12K, with a description Davies – The Square Rent. This was confirmed to have been raised in error and was removed from the ledger, which increased reserves by £12K.	

Overview of Council

	Work Task	Schedule Ref	Notes/Results
Terms of Engagement			
1	Review terms of engagement letter and confirm appropriate to this year		New engagement letter issued Engagement letter is kept on the correspondence file.
2	Confirm that the professional independence and competence questionnaire has been completed and agreed with the client	1.2	Yes – confirmed and attached
3	Complete Budget	1.3	Completed & Agreed with Client
4	Complete Timetable	1.4	Completed & Agreed with Client
Planning Notes – Understanding the Town & Parish Council			
	Number of electors and size of precept		16,000 2015/16 Precept £457k Grant £13k 2014/15 Precept £449k Grant £16k
	Key personnel		TBC Clerk & RFO Rita Tong – Accountant
	Type of financial accounting in place i.e. Manual books, computerised system		RBS Omega Accounts system
	Does the council carry out an annual risk assessment, and is it documented.		Yes – The various assessments are reviewed on a rolling annual basis and are approved by the various sub committees and ratified by the full council. Audit sub committee are reviewing various risk assessments as an on-going project.
	Does the council have a good control environment (evidence of internal reviews and counter signing of cheques etc)		Yes there are good internal controls in place – see notes attached.
	Any significant changes since prior year (staff or procedures)		New accountant
	Any there any matters arising from last year's audit and/or management letter		None
	Matters arising from discussions with council, including whether there is any evidence of fraud or material misstatement.		None
	Key high risk or expected problem areas,		None

Professional Independence and Competence Questionnaire

The internal audit function must be sufficiently independent from the management of financial controls and procedures of the council which are the subject of review. The person or persons carrying out internal audit must be competent to carry out the role in a way that meets the business needs of the council.

There are two key principles, which all local councils must follow in setting up their internal audit function, regardless of how procured: **independence and competence**.

INDEPENDENCE	
Do you have any specific reliance on the fee to be earned from this assignment	No
Overdue fees	
Does the client/group of clients owe the firm any money which exceeds our normal credit terms?	No
Litigation	
Is there any actual or anticipated litigation between us and the client in relation to fees, audit work or other work?	No
Associated firms	
Are you or your staff associated with any other practice or organisation which has had any dealings with the client council?	No
Family or other personal relationships	
Do you or any of your staff have personal or family connections with the council or its officers?	No
Mutual business interest	
Do you or any of your staff have any mutual business interests with the client or with an officer or employee of the client?	No
Financial involvement	
Do you or your staff, or anyone closely related to you or any of your staff, have any financial involvement in the client in respect of the following:	
Any beneficial interest in shares or other investments?	No
Any loans or guarantees?	No
Goods and services: hospitality	
Have you or any of your staff accepted materials, goods or services on favourable terms or received undue hospitality from the council?	No
Ex-partners or senior staff	
Has any senior officer of the council been a partner or senior employee of the practice?	No
Is the partner or any senior employee on the audit team in negotiations to join the client?	No
Long association	
Have you been acting for more than 10 years? If yes, then consider rotation/engagement quality review. 9th Year of auditing	No
Provision of other services	
Do we provide any of the following services to the client:-	
Accounting services, book-keeping or payroll services	No
Staff secondments	No
IT services where we are involved in the design, provision or implementation of systems	No
Specialist valuations which are included in the accounts	No
Tax compliance work or tax planning	No

Corporate finance activities	No
Any advocacy services e.g. Tax commissioner hearings	No
Any services relating to the management of the council	No
Any other services that may cause a threat to the firm's objectivity or independence	No
Where any of the above have been answered 'yes', then specify below what safeguards are proposed to maintain integrity and independence:-	
Competence	
Consider the following matters prior to deciding to accept appointment/re-appointment as auditors:	
Are there any particular challenges and risks associated with this client?	No
Do we have sufficient expertise available to undertake this audit engagement?	Yes
Are there sufficient resources available to undertake this audit engagement?	Yes
Having regard to the safeguards identified, I am satisfied that we are independent and competent to perform this audit.	

Budget

		Hours
Planning & Systems Work	Interim Visit	2
File Review and reporting	Interim Visit	1
Financial Procedures	Final Visit	2
File review	Final Visit	1
Total Budget Hours		6
Hourly Rate		£50
Time Cost		£300
Other costs	Mileage	£50
Total Budgeted Cost		£350
Total Budgeted Fee		£400

Timetable

Autumn 2016	Planning and Interim Audit work
February 2017	Second Interim
May 2017	Final Audit work
May 2017	Issue Audit Report & Letter

Inherent Risk Assessment

Based on the above findings and discussions with council it is my opinion that the inherent risk within the systems of the council is categorised as follows

Work Task	notes	
Are standing orders and financial regulations regularly reviewed	Yes these were on site and were current and reference to a minute	Low Risk
Is council following its written Financial regulations & standing orders	Yes	Low Risk
Does the council have risk assessments in place and are these reviewed at least annually	Yes	Low Risk
Does the council have a committee or working party responsible for internal checking	Yes	Low Risk
Is there evidence of hierarchical review (counter signing bank rec, invoices etc)	Yes	Low Risk
Is there regular reporting against budget?	Yes	Low Risk
Are books and records maintained on a regular basis	Yes	Low Risk
Is the clerk under time pressure	No	Low Risk
Are there complicated transactions?	No complicated transactions	Low Risk
Any changes to key staff	No	Low Risk
Any changes in systems or procedures	No	Low Risk
Is all info on site and to hand?	All info on site and to hand	Low Risk
Any problems in the past	No problems in past	Low Risk
Are there any other factors to consider?	Records neat and tidy	Low Risk

Conclusion & Opinion

I discussed the system above with the RFO and reviewed an invoice picked at random, which contained all the details mentioned above.

The system in place is robust and entirely fit for purpose for a Parish Council of this size. There are good internal controls, policies and procedures in place which are reviewed on an annual basis.

I am of the opinion that the inherent risk in the system is low and would recommend a sample size of 10 when testing in detail and would also state that the internal controls can be relied upon.

Specific Audit Plan

Audit Area Section 4 Annual Return	Notes	Risk of error or misstatement	Tests	Ref
Appropriate books of account have been kept properly throughout the year.	RBS package in place, limited and uncomplicated transactions	Low	Review transactions in cashbook make verbal enquiries. Test arithmetic.	A
The council's financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	Good, simple system	Low	Review invoices and reconcile to cash book in detail. Review minutes and cheque books for authorisations	B
The council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	Risk assessment policy written risk assessments carried out	Low	Review and comment	C
The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate	RBS package used	Low	Review minutes for evidence of council discussion of the same	D
Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	Only income is precept	Low	Test to precept application	E
Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	Limited Petty Cash	Low	Review and comment	F
Salaries to employees and allowances to members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.	Payroll processed using sage system	Low	Test rates and hours are authorised Test net wages to payments due	G
Asset and investments registers were complete and accurate and properly maintained.	Fixed asset register in place	Low	Review insurance schedule and cashbook for missing items off the register	H

Periodic and year-end bank account reconciliations were properly carried out.	Regular reconciliations on RBS	Low	Test reconciliation in detail	I
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, were supported by an adequate audit trail from underlying records, and where appropriate debtors and creditors were properly recorded.	Receipts and payments	Low	Test audit trail sufficient for electors rights	J
Trust funds (including charitable) The council met its responsibilities as a trustee.	None	Low	Nothing to test	K

Audit Findings

(A) Proper Bookkeeping

Objective	To confirm that appropriate books of account have been properly kept throughout the year
------------------	---

The basic record of receipts and payments is always the starting point of an accounting system; the majority of internal controls will work back to that original record. It is essential that the system requires that the **basic cash book is kept up to date** and **balances are regularly verified against a bank statement** or the actual cash in the petty cash tin. This record will also **agree with the supporting vouchers**, invoices or receipts. Even though the arithmetic may be automatic on a computer based system it is necessary to **check that the additions and balancing are correct**. The level of checking will depend on who does what and with what frequency. Where there is a **computer based system**, the reliability of information reported by the system depends on the quality and accuracy of data input, and how it is then processed, and **so tests of the integrity of data input and processing should be considered**. A councillor or member of staff may do the checking or verification; internal audit will test that the checking verification within the system has been undertaken.

Test		Comments / Conclusions / Points Forward
1	Using the previous year's annual return agree the current year's brought forward balances in the cash book.	The RBS cash book balances b/wd agree to the 2015/16 c/wd balances. The annual return figures are also properly carried over.
2	Review the nominal ledger/cashbook for large and unusual entries and agree to supporting documentation	The RBS system is a bespoke system for local authorities. All entries are appropriate referenced to supporting documentation and the system allows for a range of reports to be produced for monthly review and approval. The system is appropriate. Reports are filed in month and cashbook order and are easy to locate.
3	Verify arithmetic by casting a sample of the cash book, if this is maintained electronically check one month only	RBS is an electronic system. There were no errors.
4	Is the cashbook maintained and up to date	Cashbooks are maintained almost on a daily basis.
5	Is the cashbook regularly balanced	Evidence seen to show bank reconciliations are produced on a regular basis
6	Is the data input by the RFO checked internally	Yes

OVERALL CONCLUSION (Subject to points carried forward in final notes)

Satisfactory – I am of the opinion that the RBS package is being used properly, and that it is fit for purpose for a council of this size. I was pleased to see that the books and records on RBS are regularly maintained and clerk/RFO has a positive attitude to keeping these up to date.

(B) Financial Regulations, Standing Orders & Payment Controls

Objective	To confirm The council's financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.
------------------	---

The first step in establishing a financial system is to identify the general rules applicable at council or committee meetings and in carrying out the council's business. The Standing Orders, Financial Regulations and other internal instructions do this. **Internal audit should have a copy of the current Standing Orders, Financial Regulations and any internal instructions.** Internal audit's report to the council will include any recommendations for improvement in these documents arising as a result of their work during the year. The level of checking will depend on the content of the Standing Orders and Financial Regulations. The amount of work may well vary, and more extensive testing of compliance may be needed from time to time, but as a minimum, having established whether the **council has within the year reviewed its Standing Orders and Financial Regulations** for continued relevance, internal audit will test.

In purchase order procedures:

- that the **correct number of estimates, quotes or full tenders** depending on estimated value of contract **have been obtained** (Standing Orders will state the value at which tenders are required; Financial Regulations or Standing Orders will show the value where estimates or quotes only are required);
- that **proper purchase authority by council, a committee or officers** (under clear delegated powers) **is in place;** and
- that a **proper legal power has been identified** for the expenditure.

In purchase payments:

- that the supporting paperwork confirms that there is a **fully approved invoice and authorisation for payment;** and
- that **VAT is identified** appropriately for reclaim.

In most councils these checks can be limited to a sample of transactions selected at random, plus those which are large or unusual, such as each payment for a value in excess of £1,000, or some other figure appropriate to the level of activity of the council. The aim is for **internal audit to check that the systems put in place by management are working and are appropriate.**

Standing Orders and Financial Regulations may well repeat the statutory requirement to maintain 'a separate account' of expenditure and income under Local Government Act 1972 section 137 and Local Government Act 1986 section 5. **Internal audit should check annually that such an analysis is kept** and that the **cash limit in section 137 is not exceeded.** Internal audit may scrutinise the resulting list of expenditure and should consider whether the power is being properly used but would not check through for the correct analysis of every item.

Internal audit should also check that **payments of interest and principal** in respect of loans (and investments if any are held) are **in accordance with an agreed schedule.**

Test		Comments /Conclusions /Points Forward
1	Has the council formally adopted standing orders and financial regulations?	Copy given to IA on arrival. These was reviewed and commented upon. These are based on the NALC published models
2	Has a Responsible finance officer been appointed with specific duties?	Yes the Clerk is the appointed RFO.
3	Have items or services above the de minimus amount been competitively purchased?	Yes – process being followed

4	<p>Are payments in the cashbook supported by invoices, authorised and minuted?</p> <ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • FR 2.2 Bank reconciliations prepared and signed off in accordance with regulations. • FR 2.5 Internal auditor properly appointed by council. • FR 5.2 Payments list prepared and taken to policy and management committee. Minutes adequately describe the payments list being authorised, there was one cut off errors between the months. <u>Council will need to perform an exercise to identify missing payments and authorise appropriately.</u> • FR 6.5 Cheque book stubs are being initialed twice. No bacs, or on-line payments.
5	Has VAT on payments been identified, recorded and reclaimed?	Yes
6	Is s137 expenditure separately recorded and within statutory limits?	Yes – however none in council year
7	Note down if council is registered for VAT or if they use the annual reclaim method	Council is registered for VAT
8	<p>Review VAT returns for supporting documentation and verify a sample of transactions to</p> <ul style="list-style-type: none"> • Invoices • Other third party evidence • Correct rate of VAT • Correct treatment of VAT 	<p>All VAT returns on site together with working papers.</p> <p>All buildings now opted – no partial exemptions.</p> <p>Council uses RBS system to prepare VAT returns.</p>
9	Review bank account for payments or receipts of VAT	Receipts of refunds noted and agreed
10	Reconcile VAT returns to cash book	As above
11	Ensure Returns are made on a prompt basis	Yes

OVERALL CONCLUSION (Subject to points carried forward in final notes)

Satisfactory – The nominal ledger balances are brought forward correctly and the postings to the nominal accounts are properly made.

(C) Risk Management

Objective	To confirm the council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.
------------------	---

The greatest risk facing a local authority is not being able to deliver the activity or services expected of the council. The council is likely to be managing many of those risks when it **reviews its insurance** and its systems. **The minutes are an essential record of such reviews. Budget setting and insurance review are annual activities;** the review of systems may be less frequent.

It is suggested that **systems should be reviewed** in some detail, unless triggered by external or internal audit reports, or change in risk, at least **every four years** or **on the change of Clerk/RFO**. This might be more appropriate for larger councils on a cyclical basis.

Minutes should be checked by internal audit for any suggestion of unusual activity and evidence that risks are being identified and managed.

Test		Comments /Conclusions /Points Forward
1	Does a review of the minutes identify any unusual financial activity?	No
2	Do minutes record the council carrying out an annual risk assessment?	Yes
3	Is insurance cover appropriate and adequate?	PC is insured by Aviva through WPS.
4	Are internal financial controls documented and regularly reviewed?	There are no internal financial controls other than financial regulations and standing orders. Council would not benefit from additional regulations at this stage.
5	Review financial & Other risk assessment and ensure up to date, note down any significant risks facing the council	Council reviews all risk assessments annually and other critical systems as required
6	Document retention & Data Back up	Council is aware of regulations Server backup off site weekly. Sealed envelope of passwords in the strong room

OVERALL CONCLUSION (subject to points carried forward in final notes)

Satisfactory – The council has a positive attitude to risk assessment and documents the assessments and reviews in a logical manner

(D) Budgetary Controls

Objective	To confirm the annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.
------------------	---

Internal audit will not check the budget but will verify that a budget has been properly prepared by the council and adopted in setting the precept. The regular reporting of expenditure, and variances from budget, is an important part of the proper control of public money. **Internal audit will expect to see the regular reports to council and the variance analysis.** That variance analysis and the decisions of council or committee taken as a result may suggest areas for additional analysis by internal audit. Part of budgetary control is to ensure **adequate but not excessive reserves** or balances. **Progress against budgets should be regularly monitored.** It is particularly helpful when determining the likely precept that will be required for the following year. **Internal audit will be keen to establish that this has taken place.**

Test		Comments /Conclusions /Points Forward
1	Has the council prepared an annual budget in support of its precept?	Yes this was prepared in the proper time period last year.
2	Note how client prepares budget	Zero based approach – per department – uses RBS system
3	Is actual expenditure against the budget regularly reported to the council?	Every finance and council meeting
4	Are there any significant unexplained variances from budget?	There are variances to budget; however, these are explainable and are not an indication that the precept was mis- calculated, nor that budget headings have been overspent without authorisation
5	Review council’s reserves and reserves policies and make a note of how many months cover they have and whether this is sufficient for this particular council	General reserves are circa 50% of precept this is reasonable.

OVERALL CONCLUSION (subject to points carried forward in final notes)

Satisfactory – The council has budgets in place and evidence suggests performance against budget has been reviewed on at least one occasion. Reserves are reasonable and no evidence of capital and revenue reserves being mixed.

(E) Income Controls

Objective	To confirm expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.
------------------	--

Internal audit will look for evidence that the precept and grant income is properly and promptly received. In value this is usually the largest item of income. **Internal audit is more likely to focus on other income particularly where it is unusual or cash-based.** Cash income brings higher risks, in turn requiring greater control by ticket issues, receipt issues, segregation of duties of the cashier and the invoice-raising clerk. **The need for greater control implies a need for internal audit to verify the operation of all checks and balances.**

If the council has let property or holds investments, then the council should have established a system to ensure regular income collection; a diary of expected dates of income etc. **Internal audit will look for evidence of such activity and any necessary progress or invoice chasing.**

If the income is from quoted investments there is a clear risk to be addressed in terms of identifying the investment policy to be followed, controls over who can initiate a change of investment and an awareness of the investment risks being accepted.

Test		Comments / Conclusions / Points Forward
1	Is income properly recorded and promptly banked?	Precept and grant received by bacs properly recorded in cashbook and annual return. Credits paid in within a week of receipt – no cut off issues to report. Other receipts can be traced through to invoice and write offs and credits are properly discussed taken to council and posted to the ledgers. There is a variance on other receipts – due to PWLB loan receipt of £841K
2	Does the precept recorded agree to the Council Tax authority's notification?	Yes – agreed to remittances as seen by IA.
3	Are security controls over cash and near-cash adequate and effective?	Cash is banked –
4	Is VAT correctly applied at the correct rates	Council is registered for VAT and uses RBS to calculate VAT where applicable.
5	Is there income from sale of investments or investment income	No

OVERALL CONCLUSION (subject to points carried forward in final notes)

Satisfactory – The income process is carried correctly in accordance with documented procedures.

(F) Petty Cash Procedure

Objective	To confirm Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.
------------------	---

Internal audit will be looking to see that there is an established system in place rather than ad hoc reimbursement. If the clerk is reimbursed for all small cost expenses or there is a separate cash float, a regular payment must be made to keep up to date. **Internal audit would be looking to see that reimbursement is regular and evidence that on occasions an independent person has physically counted the cash balance and checked to be in agreement with the up-to-date record.** The council should have a system for the regular approval of petty cash expenditure.

Test		Comments/Conclusions
1	Is all petty cash spent recorded and supported by VAT invoices/receipts?	Yes – normal office ad hoc expenditure
2	Is petty cash expenditure reported to each council meeting?	Yes – in normal method
3	Is petty cash reimbursement carried out regularly?	Yes
4	Review petty cash records for unusual amounts	none
5	Test count the petty cash and agree to accounting records at today’s date if not conducted at the year end.	Yes – cash and receipts are in evidence and reconcilable
6	Select a sample of petty cash payments and receipts and agree to supporting documentation, verifying <ul style="list-style-type: none"> • Amounts • Authorisations • VAT analysis 	These are authorised

OVERALL CONCLUSION (subject to points carried forward in final notes)

Petty cash is satisfactory.

(G) Payroll Controls

Objective	To confirm Salaries to employees and allowances to members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.
------------------	---

Internal audit will be seeking reassurance that the system is delivering the correct payments for wages and salaries and that PAYE/NIC is correctly deducted from the gross pay and paid to HM Revenue and Customs. Historically, one of the greatest areas of risk for local councils has been the improper payment of wages and salaries, together with the lack of proper deduction of income tax and national insurance contributions.

There are some simple tests to establish whether a person is employed by a local authority or can be regarded as a contractor. **The clerk is always regarded as an employee – as an ‘office holder’.** **As an employer, the council must operate PAYE/NIC.** If correct deduction for tax or national insurance is not made by the employer, HM Revenue and Customs has the right to seek the lost tax and contributions from the employer as if the payments made were after deduction of the appropriate amounts (i.e. the amount sought is ‘grossed up’). There may also be a liability for interest and penalties that can increase the sum significantly. The clerk, even at the smallest of councils, will need to be able to produce evidence that the correct tax treatment of salary has been arranged with HM Revenue and Customs. HM Revenue and Customs often seek to avoid setting up a PAYE scheme for a single employee whenever possible, so will seek to ‘code out’ any parish council salary through other income, pension scheme or by direct assessment. The council should have an up to date letter from HM Revenue and Customs (addressed to the Council) confirming that arrangements to their satisfaction have been made for the particular employee. Internal audit may verify that evidence each year as part of the annual statement forming part of the annual return.

Changes to contracts of employment (whether annual salary change, or other) require formal agreement by the council as well as being evidenced by a written statement to the employee. The council should record evidence of approved changes in employment contracts in employee records. **Internal audit should check that this evidence is in place and agree sums paid to those sums shown as payable.** The purpose of specifically investigating the PAYE/NIC system recognises the risks inherent in these items, either through fraud or error, and the risk of significant management time and penalties in making corrections if errors arise.

Test		Comments/Conclusions
1	Do all employees have contracts of employment with clear terms and conditions?	Yes – employees have contracts of employment these are retained by the clerk in a locked draw in her office.
2	Do salaries paid agree with those approved by the council?	Yes – council minutes changes and pay scales properly and these are reconcilable to the payslips No council allowances.
3	Are other payments to employees reasonable and approved by the council?	Expenses are paid for mileage – this goes through normal method.
4	Have PAYE/NIC been properly operated by the council as an employer?	Yes paye and Ni is paid over on a monthly basis. No record of late or inaccurate payment.
5	Check a sample of payroll deductions. Verifying calculation of PAYE & NIC	correct.
6	Check employee existence by physical verification or by reference to documentation (e.g. personnel files, coding notices etc).	Yes – staff on site are agreed to payroll.
7	Check payroll is signed by a responsible official.	Yes this is signed by council each meeting.

8	Test check net wages & PAYE per the cash book to the payroll	agrees
9	Review cash book for unusual payments not put through the PAYE/NI system (e.g. casual labour, round sums, private bills etc).	No unusual amounts to report.

OVERALL CONCLUSION (subject to points carried forward in final notes)

Satisfactory – salaries and processing of salaries are correct. There are no errors.

(H) Asset Control

Objective	To confirm asset and investments registers were complete and accurate and properly maintained.
------------------	---

The Council is required to maintain an asset and investment register. In the smallest councils, this may only be a note produced for members and local electors. **Internal audit will be interested in seeing that there is evidence that the continuing existence of owned and managed assets is checked on a regular basis.** In a larger council the register may be hand written, typed or computer produced; the essence is the same in that the system should be verified on a regular basis. This verification **should include confirmation that insurance cover is adequate and sufficient.** If investments are held, the asset register will be a more active record; it should include details of cost, values, and expected income that can be checked against the actual income. Dates and references to minutes of the members’ review of the investments against the investment policy might also be included.

Test		Comments/Conclusions
1	Does the council maintain a register of all material assets owned or in its care?	Yes – detailed fixed asset register maintained in electronic format.
2	Are the assets and Investments registers up to date?	No investments. Yes registered are up to date
3	Do asset insurance valuations agree with those in the asset register?	Yes – the register has an additional column to show insurance value next to the cost value.
4	Obtain details of additions and select items to test to invoice or other supporting documentation, having regard for VAT element	Large addition in year

OVERALL CONCLUSION (subject to points carried forward in final notes)

Satisfactory. Council maintains and records assets properly.

(I) Bank Reconciliation

Objective	To confirm Periodic and year-end bank account reconciliations were properly carried out.
------------------	---

In most councils, the bulk of the financial records will be concerned with a current account and a form of deposit account at a bank or building society. A regular feature of the financial system will be the reconciliation of the balances shown on the statements with those calculated in the council’s financial records. **It is strongly recommended that on receipt of a bank statement, there should be a reconciliation of the appropriate cash book record. Internal audit will wish to see that this has been done**, but should not undertake the reconciliation unless it requires re-performance. **It may be appropriate for the year end balances and the reconciliation to be checked in detail.**

The basic cash book record must not be written up from the bank statements. That approach does not provide any form of control. The cash book record is written up from the council’s records: cheque counterfoils and the paying-in books, together with the known direct payments and credits. It is the cash book record that is checked regularly against the bank statements to provide control.

The bank reconciliation should include a note of the historic cost of current investments held by the council, if any, so that this can also be monitored to ensure that these funds are performing in the way planned by the council and also so that the council can have, each time this is reviewed, as complete a picture as possible of its liquidity and available funds.

As part of internal control, a member may be appointed to review the bank reconciliation in detail and to evidence that review by signing the reconciliation form and the bank statements.

Test		Comments/Conclusions
1	Is there a bank reconciliation for each account?	Yes
2	Is the bank reconciliation carried out regularly and in a timely fashion?	Yes - monthly
3	Are there any unexplained balancing entries in any reconciliation?	No
4	Is the reconciliation signed off by a member	Yes.
5	Test check the year end reconciliation in detail	No errors – March 2016 reconciliation checked by IA
6	Prepare or obtain a schedule of investments showing all movements in the year and agree opening balances.	N/A
7	Test check value of listed investments at year end for disclosure in financial statements.	N/A
8	Test purchases and sales with agreements, contract notes and minutes	N/A
9	Is the value of investments held summarised on the bank reconciliation?	N/A
10	Check income has been received on all income yielding investments on a consistent basis and ensure tax has been correctly accounted for.	N/A

OVERALL CONCLUSION (subject to points carried forward in final notes)

Satisfactory – bank reconciliations are carried out and reviewed properly.

(J) Year – End Procedures

Objective	To confirm 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, were supported by an adequate audit trail from underlying records, and where appropriate debtors and creditors were properly recorded.
------------------	---

It is the duty of the council and the RFO to produce the year-end accounting statements. **Internal audit will be looking to see that the appropriate accounting basis is used, that the figures can be followed through on working papers and adjustments, transfers, contra entries etc. are fully explained and justified.** Internal audit would not be expected to check all figures but will probably verify a small sample and the totals.

Councils accounting on an Income and Expenditure basis will have a system in place for identifying outstanding amounts (receivable and payable) and then for deciding on their materiality for inclusion in the accounting statements. **Internal audit will scrutinise the lists of creditors and other balances to ensure that the system is working adequately and that the RFO has correctly identified transactions in the one year that may in whole or part relate to another.**

Test		Comments/Conclusions
1	Are year-end accounts prepared on the correct accounting basis (Receipts and Payments or Income and Expenditure)?	AR completed correctly and casts correctly. Income and expenditure basis used.
2	Do accounts agree with the cashbook?	Yes – RBS package has full integrated audit trail. NL verified to annual return summary. Although there appears to be a coding issue with RBS on the annual return report. RBS will be contacted.
3	Is there an audit trail from underlying financial records to the accounts?	Yes – as noted above RBS very robust system in this regard.
4	Where appropriate, have debtors and creditors been properly recorded?	Yes – Boxes 7 – 8 reconciliation prepared and verified. Debtors and creditors appropriate with documentary evidence seen by IA.
5	Has the Annual governance statement been signed off	Yes – will be taken to council in May
6	Has the annual return been completed in full	Yes
7	Has the council got a system in place for reviewing the effectiveness of internal controls	Yes – council reminded to ensure minute referring to approval of section 1 of annual return is detailed enough to show work undertaken by council throughout the year.

OVERALL CONCLUSION (subject to points carried forward in final notes)

Satisfactory – accounts properly prepared.

(K) Trust funds (including charitable)

Objective	To confirm the council has met its responsibilities as a trustee
------------------	---

Test		Comments/Conclusions
1	Is the council a sole trustee and is it responsible for managing trust fund assets	
2	Note down names of trusts council is a trustee of	
3	As sole trustee has the council properly carried out its duties in respect of financial reporting and or audit.	
4	Carry out any other tasks deemed necessary	

OVERALL CONCLUSION - (subject to points carried forward in final notes)

No trusts.

Section 1 – Annual governance statement 2016/17

We acknowledge as the members of:

Enter name of
smaller authority here:

our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2017, that:

	Agreed		'Yes' means that this smaller authority:	
	Yes	No*		
1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.			prepared its accounting statements in accordance with the Accounts and Audit Regulations.	
2. We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.			made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.	
3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and proper practices that could have a significant financial effect on the ability of this smaller authority to conduct its business or on its finances.			has only done what it has the legal power to do and has complied with proper practices in doing so.	
4. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.			during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.	
5. We carried out an assessment of the risks facing this smaller authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.			considered the financial and other risks it faces and has dealt with them properly.	
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.			arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.	
7. We took appropriate action on all matters raised in reports from internal and external audit.			responded to matters brought to its attention by internal and external audit.	
8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this smaller authority and, where appropriate have included them in the accounting statements.			disclosed everything it should have about its business activity during the year including events taking place after the year-end if relevant.	
9. (For local councils only) Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	Yes	No	NA	has met all of its responsibilities where it is a sole managing trustee of a local trust or trusts.

This annual governance statement is approved by this smaller authority on:

and recorded as minute reference:

Signed by Chair at meeting where approval is given:

Clerk:

*Note: Please provide explanations to the external auditor on a separate sheet for each 'No' response. Describe how this smaller authority will address the weaknesses identified.

8. ANNUAL GOVERNANCE STATEMENT

The Audit Committee to consider the Town Council's Annual Governance Statement for the Financial Year ended 31 March 2017 specifically considering the answers to the questions posed by the Annual Governance Statement. The proposed answers are shown below and are recommended to the Audit Committee.

	Question <i>Godalming Town Council</i>	Recommended Answer	Evidence
1	We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements	YES	Use RBS accounting software –officers have received training on the use of it. Increased the frequency of budget monitoring – detailed reports to each ordinary meeting of the Policy & Management Committee.
2	We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	YES	Adequate systems of internal control maintained as evidenced by the work programme of the Audit Committee as recorded in the minutes. By the introduction of new systems and control (e.g. extensive discussion around payments by direct credit; introduction of credit control policy; new more detailed documentation of processes including internal controls). Assurances of Internal Audit reports Performed a separate review of the effectiveness of the Council's systems of internal control as recorded in the minutes.
3	We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and proper practices that could have a significant financial effect on the ability of this smaller authority to conduct its business or on its finances.	YES	We employ competent staff and maintain an adequate budget for external professional advice augmented as required for specific additional advice (e.g additional expenditure on legal advice & valuation advice pertaining to The Square; on professional advice pertaining to staff

			grievance). With the new Council website now operational, we also now comply fully with the Transparency Code
4	We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	YES	Relevant notices displayed outside the Town Council offices as per the Accounts and Audit Regulations. In addition ad hoc queries during the year addressed fully.
5	We carried out an assessment of the risks facing this smaller authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	YES	Risk Assessments all available for inspection in the Council's offices and on-going programme of risk analysis as part of the Audit Committee's work programme. Identified the need for additional insurance cover for the Godalming Museum, should the transfer proceed.
6	We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	YES	Reports of both the internal and external auditors were received by the Audit committee on 16 March 2017. A further report from the Internal Auditor is on the agenda for this meeting.
7	We took appropriate action on all matters raised in reports from internal and external audit.	YES	Minutes Full Council 271-15 & 485-15
8	We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this smaller authority and, where appropriate have included them in the accounting statements.	YES	Annual provision made in reserves for election expenses; ear marked reserves are used to provide for other potential commitments.
9	(For local council only) Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	N/A	This Council manages no trust funds.

Section 2 – Accounting statements 2016/17 for

Enter name of smaller authority here:

GODALMING TOWN COUNCIL

	Year ending		Notes and guidance				
	31 March 2016 £	31 March 2017 £					
1. Balances brought forward	509726	336142	Total balances and reserves at the beginning of the year as recorded in the financial records. Value must agree to Box 7 of previous year.				
2. (+) Precept or Rates and Levies	457022	514242	Total amount of precept (or for IDBs, rates and levies) received or receivable in the year. Exclude any grants received.				
3. (+) Total other receipts	1060400	204590	Total income or receipts as recorded in the cashbook less the precept or rates/levies received (line 2). Include any grants received.				
4. (-) Staff costs	248753	245134	Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and employment expenses.				
5. (-) Loan interest/capital repayments	11289	45070	Total expenditure or payments of capital and interest made during the year on the smaller authority's borrowings (if any).				
6. (-) All other payments	1430964	433293	Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).				
7. (=) Balances carried forward	336142	331477	Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6)				
8. Total value of cash and short term investments	314166	341424	The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – To agree with bank reconciliation.				
9. Total fixed assets plus long term investments and assets	1241182	1241182	This cell shows the value of all the property the authority owns. It is made up of its fixed assets and long-term investments.				
10. Total borrowings	836776	819552	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).				
11. (For Local Councils Only) Disclosure note re Trust funds (including charitable)	<table border="1"> <tr> <th>Yes</th> <th>No</th> </tr> <tr> <td></td> <td>✓</td> </tr> </table>		Yes	No		✓	The Council acts as sole trustee for and is responsible for managing Trust funds or assets. N.B. The figures in the accounting statements above do not include any Trust transactions.
Yes	No						
	✓						

I certify that for the year ended 31 March 2017 the accounting statements in this annual return present fairly the financial position of this smaller authority and its income and expenditure, or properly present receipts and payments, as the case may be.

Signed by Responsible Financial Officer:

SIGNATURE

Date

DD/MM/YYYY

I confirm that these accounting statements were approved by this smaller authority on:

DD/MM/YYYY

and recorded as minute reference:

MINUTE REFERENCE

Signed by Chair at meeting where approval is given:

SIGNATURE

GODALMING TOWN COUNCIL

Disclosure by a Member¹ of a disclosable pecuniary interest or a non-pecuniary interest in a matter under consideration at a meeting (S.31 (4) Localism Act 2011 and the adopted Godalming Members' Code of Conduct).

As required by the Localism Act 2011 and the adopted Godalming Members' Code of Conduct, **I HEREBY DISCLOSE**, for the information of the authority that I have [a disclosable pecuniary interest]² [a non-pecuniary interest]³ in the following matter:-

COMMITTEE:

DATE:

NAME OF COUNCILLOR: _____

Please use the form below to state in which agenda items you have an interest.

Agenda No.	Subject	Disclosable Pecuniary Interest	Non-Pecuniary Interest	Reason

Signed _____

Dated _____

¹ "Member" includes co-opted member, member of a committee, joint committee or sub-committee

² A disclosable pecuniary interest is defined by the Relevant Authorities (Disclosable Pecuniary Interests) regulations 2012/1464 and relate to employment, office, trade, profession or vocation, sponsorship, contracts, beneficial interests in land, licences to occupy land, corporate tenancies and securities

³ A non-pecuniary interest is defined by Section 5 (4) of the Godalming Members' Code of Conduct.