

GODALMING TOWN COUNCIL

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

28 June 2019

I HEREBY SUMMON YOU to attend the **AUDIT COMMITTEE** Meeting to be held in the Council Chamber, Municipal Buildings, Godalming on THURSDAY, 4 JULY 2019 at 6.00 pm.

Andy Jeffery
Town Clerk

Committee Members: Councillor Boyle
Councillor Crooks – Vice-Chair
Councillor Heagin – Chair
Councillor Steel
Councillor Welland

AGENDA

1. MINUTES

To approve as a correct record the minutes of the meeting held on the 22 May 2019, a copy of which has been circulated previously.

2. APOLOGIES FOR ABSENCE

3. 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.

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

The Chair to invite members of the public to make representations, ask or answer questions and give evidence in respect of the business on the agenda or other matters not on the agenda. This forum to be conducted in accordance with Standing Order 5.

5. QUESTIONS BY MEMBERS

To consider any questions from Councillors in accordance with Standing Order 6.

6. WORK PROGRAMME

Members to consider the Committee's Work Programme and to note progress on the items therein (copy attached for the information of Members).

7. BANK RECONCILIATION

The Responsible Finance Officer to table the current Bank Reconciliation for the information of Members.

Members to agree that the Chair should sign the bank reconciliation tabled.

Members of the Public have the right to attend all meetings of the Town Council and its Committees and are welcome.

8. INCOME CONTROLS

Members to receive the report on the review of income controls (report attached for the information of Members).

9. PAYMENT CONTROLS

Members to receive the report on the review of payment controls (report attached for the information of Members).

10. PAYROLL CONTROLS

Members to receive the report on the review of payroll controls (report attached for the information of Members).

11. PETTY CASH

Members to receive the report on the review of petty cash (report attached for the information of Members).

12. PROPER BOOKKEEPING

Members to receive the report on the review of bookkeeping (report attached for the information of Members).

13. VAT CONTROLS

Members to receive the report on the review of VAT controls (report attached for the information of Members).

13. DATE OF NEXT MEETING

The next meeting of the Audit Committee is scheduled to be held on Thursday, 19 September 2019 at 7.00pm in the Council Chamber.

14. ANNOUNCEMENTS

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

AUDIT COMMITTEE WORK PROGRAMME

SUBJECT	NAME OF PERSON UNDERTAKING REVIEW	PREVIOUS COMPLETION DATE	ACTIONS BROUGHT FORWARD	STATUS	ACTIONS CARRIED FORWARD
Bank Reconciliation	Cllr Heagin/RFO	18 April 2019	Latest Bank recs reviewed at each Meeting of Audit Committee	Chair to review and sign at each meeting of the Audit Committee.	Ongoing
Internal Control – Meeting 1					
Income Controls	Cllr Michael Steel	26 July 2018	Conducted 26 July 2018 – no issues identified	Annual review to be completed by July 2019	
Payment Controls	Cllr Michael Steel	26 July 2018	Conducted 26 July 2018 – no issues identified	Annual review to be completed by July 2019	
Payroll Controls	Cllr Michael Steel	26 July 2018	Conducted 26 July 2018 – issue with Employee pension contributions identified. RFO reported actions taken to resolve.	Annual review to be completed by July 2019	
Petty Cash	Cllr Michael Steel	26 July 2018	Conducted 26 July 2018 – no issues identified	Annual review to be completed by July 2019	
Proper Book-keeping	Cllr Michael Steel	26 July 2018	Conducted 26 July 2018 – no issues identified	Annual review to be completed by July 2019	
VAT Controls	Cllr Michael Steel	26 July 2018	Conducted 26 July 2018 – no issues identified	Annual review to be completed by July 2019	

SUBJECT	NAME OF PERSON UNDERTAKING REVIEW	PREVIOUS COMPLETION DATE	ACTIONS BROUGHT FORWARD	STATUS	ACTIONS CARRIED FORWARD
Miscellaneous – Meeting 2					
External Auditor's Report	RFO	20 September 2018	Annual report received 20 September 2018. Onward Recommendation to Full Council on 10 January 2019	Annual report to be received around Oct 2019. Onward Recommendation to Full Council	
Asset Control	Cllr Nick Pinches/RFO	20 September 2018	Conducted 20 September 2018 - to be reviewed in 12 months	Annual review to be completed by October 2019	
Review of Ongoing Suppliers	RFO /Facilities Supervisor/TC	Ongoing	Recently reviewed: - Insurance providers reviewed March 2018 (GTC), October 2018 (Museum) & March 2019 (JBC) - Christmas Light provider reviewed March 2019	Ongoing task.	
Financial Regulations	RFO	20 September 2018	Review of Financial Regulations completed at by this Committee 20 Sept 2018 and agreed by Full Council on 15 Nov 2018	Annual review to be completed by October 2019	
Procedures	Cllr Nick Pinches	Ongoing	Financial procedures as updated agreed by this Committee on 6 October 2016 Other key processes agreed by the Committee on 16 March 2017	Creating an Standard Operating procedures file for each position – aimed completion March 2020	
Budgetary Controls	Cllr Richard Wainwright	24 January 2019	Conducted 24 January 2019 - to be reviewed in 12 months	Annual review to be completed by January 2020	

SUBJECT	NAME OF PERSON UNDERTAKING REVIEW	PREVIOUS COMPLETION DATE	ACTIONS BROUGHT FORWARD	STATUS	ACTIONS CARRIED FORWARD
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Risk Management – Meeting 3					
Risk Assessment – Business Continuity	Cllr Paul Follows/RFO	24 January 2019	Needs a risk assessment performed and Scheme of Delegation incorporated	Outstanding	To complete a risk assessment and incorporate Scheme of Delegation - bring to next meeting on 18 April 2019 Deferred until next meeting on 4 July 2019
Risk Assessment – Environmental	Cllr Paul Follows/RFO	24 January 2019	An Environment Sustainability Policy needs to be developed	Outstanding	An Environment Sustainability Policy needs to be developed - bring to next meeting on 18 April 2019 Deferred until next meeting on 4 July 2019
Risk Assessment – Legal	Cllr Julie Noyce/RFO	24 January 2019	To be reviewed annually	Annual review to be completed by January 2020	
Risk Assessment – Physical & Information Security	Cllr Paul Follows/RFO	18 April 2019	Cllr Follows & Wainwright to provide RFO with information required from IT providers	Annual review to be completed by January 2020	
Risk Assessment – Reputation	Cllr Julie Noyce/RFO	24 January 2019	To be reviewed annually	Annual review to be completed by January 2020	
Risk Assessment – Health & Safety	Cllr Paul Follows/RFO	24 January 2019	To be reviewed annually	Annual review to be completed by January 2020	RFO to organise Workplace Assessments for full time staff
Risk Assessment – Financial	Cllr Richard Wainwright /RFO	24 January 2019	To be reviewed annually	Annual review to be completed by January 2020	
Insurance	Town Clerk/RFO	Market test of insurers completed and reported to P&M on 22 March 2018	To be reviewed annually	On going	

SUBJECT	NAME OF PERSON UNDERTAKING REVIEW	PREVIOUS COMPLETION DATE	ACTIONS BROUGHT FORWARD	STATUS	ACTIONS CARRIED FORWARD
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Year End – Meeting 4					
Internal Auditor's Reports	RFO	18 April 2019	Final audit report received and responses given. To be onward recommended to next Full Council meeting	Annual review to be completed as part of Annual Governance and Accountability Return process	
Management of Debt (particularly Bad Debt)	RFO	18 April 2019	To be reviewed annually	Annual review completed by March 2020	
Review of Effectiveness of Internal Control	Cllr Andrew Bolton /RFO	18 April 2019	To be reviewed annually	Annual review to be completed as part of Annual Governance and Accountability Return process	
Annual Governance Statement	Cllr Andrew Bolton /RFO	18 April 2019	To be reviewed annually	Annual review to be completed as part of Annual Governance and Accountability Return process	
Annual Accounting Statements	Cllr Andrew Bolton /RFO	18 April 2019	To be reviewed annually	Annual review to be completed as part of Annual Governance and Accountability Return process	

Godalming Town Council Audit Committee: Internal Review

Area of Review: **Income Controls - 2019**

Test	Success yes/no	Notes
A) Ensure that precept is received on time and is the amount agreed in the budget.	Y	Remittance advice from WBC seen & checked. Includes 50% of precept as per budget & due on 1 April 2019 but also £8,310 Council Tax Support Grant (not separately identified by WBC).
B) Ensure that rents from Cemetery Lodges, The Square and Allotments are received regularly.	Y/N	JBC lodge income received. Rent for Nightingale Chapel invoiced annually Allotments not yet invoiced 2019/20 but all rents received 2018/19. The Square – first quarter invoiced and received.
C) Ensure bank interest is received.	Y	Banks give interest on GTC deposit account at 0.25% pa – one payment received in 2019/20 year.
D) Ensure sales invoices are correctly made out and VAT accounted for where applicable.	Y	See table of invoices checked
E) Ensure monies received meet invoices raised and are banked properly.	Y	ditto
F) Ensure receipts are properly recorded in the cash book.	Y	ditto
G) Ensure that more than one person is present when significant amounts of cash are received and counted.	Y	Cannot guarantee that more than one person will be present when cash is received – but the customer will always be given a receipt. Where large cash sums (e.g. income from Mayor's quiz) money will always be counted by two people and the receipt of cash is known in advance.

Date review carried out: 27 June 2019

By: Councillor Michael Steel

Signed:

Invoices Checked 2019/20

Invoice No	Amount	Correct Fee	Correct VAT	Correct Addition	Posted to Ledger	Paid	Banked
PP1155	£56.00	Y	Y	Y	Y	Y	8/6/19
PP1154	£17.50	Y	Y	Y	Y	Y	8/6/19
PP1152	£28.00	Y	Y	Y	Y	Y	24/5/19
PP1150	£70.00	Y	Y	Y	Y	Y	10/5/19
BW4495	£150.00	Y	Y	Y	Y	Y	23/6/19
BW4493	£45.50	Y	Y	Y	Y	Y	25/6/19
BW4492	£39.00	Y	Y	Y	Y	Y	O/S
BW4491	£52.00	Y	Y	Y	Y	Y	20/6/19
BW4487	£80.00	Y	Y	Y	Y	Y	20/6/19
BW4485	£119.00	Y	Y	Y	Y	Y	13/6/19
WN2445	£39.00	Y	Y	Y	Y	Y	25/6/19
WN2441	£65.00	Y	Y	Y	Y	Y	16/6/19
WN2439	£21.00	Y	Y	Y	Y	Y	10/6/19
WN2437	£37.00	Y	Y	Y	Y	Y	4/6/19
WN2436	£56.00	Y	Y	Y	Y	Y	O/S
WN2435	£55.50	Y	Y	Y	Y	Y	7/6/19
WN2425	£156.00	Y	Y	Y	Y	Y	7/6/19

GODALMING TOWN COUNCIL AUDIT REVIEW

INTERNAL REVIEW

AC 04.07.19
Agenda Item 9

Area of Review: **Checking random payments-**

Test	1	2	3	4	5	6	7	8	9
Payment ID	PR120.1	PR120.8	PR120.15	PR119.2	PR119.8	PR119.15	5675	5685	5689
Payee	A West	J & Gocher	WBC	BBQ Chefs	Go Godalming	RBS	LTD Tree Surgeon	D Jones	Workstation
Amount	£334.00	£66.00	£586.09	£68.40	£500.00	£1,041.20	£1,545.00	£880.00	£248.97
Date	17-Jun-19	17-Jun-19	17-Jun-19	06-Jun-19	06-Jun-19	06-Jun-19	01-Nov-18	22-Jan-19	08-Feb-19
A) Check that payment authority carries intelligible initials of 2 Councillors.	Y	Y	Y	Y	Y	Y	^	Y	Y
B) Check that invoice being paid bears initials of 2 Councillors.	Y	Y	Y	Y	Y	Y	^	Y	Y
C) Check that invoice being paid has been passed by instigator of requisition.	Y	Y	Y	Y	Y	Y	^	Y	Y
D) Check that invoice has been entered correctly on system, including VAT.	Y	Y	Y	Y	Y	Y	^	Y	Y
E) Check that payment is within reasonable time period.	Y	Y	Y	Y	Y	Y	^	Y	Y
F) Confirm payment has has gone through the bank.	Y	Y	Y	Y	Y	Y	Y	Y	Y
G) If not in current month, is it allowed for in bank reconciliation	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Date review carried out: 27 June 2019

By: Councillor Michael Steel

Signed:

^ Unable to find supplier invoice

NB: Direct debit payments were authorised by P&M on 22 May 2019 Min 40-19

Godalming Town Council Audit Committee: Internal Review

Area of Review: Payroll 2019/20

Test	Success yes/ no	Notes
A) Whether all employees are in payroll system? Whether there are any ghost employees?	Y	All employees, including casual employees (but not self-employed contractors) are on payroll. No unidentified people found on the payroll.
B) Whether all employees have contracts of employment?	Y	Contracts of employment exist for all staff and are kept by TC in a locked filing cabinet.
C) How wages are prepared?	Y	See attached written process
D) Whether correct PAYE codes are being used?	Y	PAYE codes picked up annually from HMRC notifications on-line. In year changes prompted by employee (with HMRC letter), All employees who have main employment elsewhere are BR code.
E) Whether PAYE records are being kept correctly?	Y	System generated and no queries from HMRC
F) Whether net pay paid correctly?	Y	Net pay per payroll reports agrees to bank statements
G) Does the payment to HMRC match the FPS submission to HMRC?	Y	FPS amounts for April and June 2019 checked
H) Whether HMRC paid correctly and on time?	Y	Amounts & payments for April and June 2019 checked.
I) Whether PAYE cheques are seen going through the bank?	Y	PAYE now paid via BACS. Checked April and June 2019 payments.
J) Whether P45's, where applicable, are filed correctly?	N/A	No leavers year to date.
K) Are all employees in the Local Government Pension Scheme? And if not is there written evidence of their opting out	Y	All full time staff are in the scheme. The part time staff do not meet the criteria for compulsory registration and have not elected to join voluntarily as at staging date.

L) Are contribution rates (EE & ER) applied correctly	Y	SCC check at year end. Confirmed ER rate was correct at 17.2%.
M) Are correct payments made to Pension Authority	Y	Checked April and June 2019 payments.
N) How are annual pay awards advised?		Notification from NALC/SLCC and taken through P&M Committee for permission to pay. Notification letters signed by TC except TC's which is signed by Chairman of P&M or Staffing. Current pay award was approved by Full Council on 7 March 2019 (Min 395-18 refers).

Date review carried out 27 June 2019

By: Councillor Michael Steel

Signed:

MONTHLY PAYROLL PROCESS

Process	Do By
1. Email all staff asking for any information regarding payroll for the month e.g. Farmers Market, new deductions, payroll adjustments	15 th of the month
2. Log onto Sage 50 Payroll and set processing date to the 25th	
3. Check HMRC secure mail box for any tax code changes and apply	
4. Process any new employees (see separate process instructions)	
5. Process payroll data and check payments online	
6. Print draft payslips report ~2015_Laser (2 per A4 Sheet) (see separate process instructions)	
7. Get Town Clerk's authorisation to proceed with payment.	
8. Print final payslips (see separate process instructions)	
9. Print following reports- Payment Summary Part 1, Payment Summary Part 2, Pensions – Current, Pensions – Employee and Pensions – Employer (see separate process instructions)	
10. Complete payroll journal in draft	
11. Take back-up of payroll	
12. Update records (Select all employees / Payroll / Update Records)	
13. Create payment authorisation record	20 nd of the month
14. Get two councillors authorisation to proceed with payment	
15. Upload e-banking file for payment	22 nd of the month
16. Print P32 report (see separate process instructions)	
17. Process any leavers and print P45	
18. Process Full Payment Submission (E-submissions / Full Payment Submission)	25 th of the month
19. Take final back up of payroll for the month	
20. Complete Surrey Pension contribution Form (see separate process instructions)	
21. Make payment for Union Fees, Pension Contribution and HMRC PAYE/NIC	
22. Post payroll journal	End of month

Godalming Town Council Audit Committee: Internal Review

Area of Review: **Checking Petty Cash 2019**

Test	Success Y/N	Notes
A) Is Petty Cash kept securely?	Y	Petty cash kept in locked tin in locked & alarmed strongroom (one key to tin kept by RFO; second in locked key cabinet)
B) Ensure petty cash vouchers are correctly authorised and within budget limits.	Y	Vouchers for recent claims checked – all compliant.
C) Ensure VAT and addition is correct on voucher.	Y	VAT not relevant to petty cash because not reclaimable
D) Ensure Petty Cash is reimbursed correctly.	Y	File demonstrates the correct reimbursement
E) Ensure vouchers are entered correctly in cash book.	Y	File demonstrates that vouchers have been entered correctly in cash book
F) Ensure Petty Cash is checked regularly.	Y	Checked monthly by an officer other than the Acting RFO; by the Internal Auditor twice annually and by Councillor Michael Steel as part of this review

Date review carried out: 27 June 2019

By: Councillor Michael Steel

Signed:

Godalming Town Council Audit Committee: Internal Review

Area of Review: Proper Book-keeping –2019

Test	Success	Notes
Is there a procedure for checking that goods and services are received as ordered.	Y	Officers certify on invoices that goods/services have been received and query invoices where this is not the case.
Ensure proper procedure for checking suppliers' invoices and identifying VAT.	Y	As above – officers check & certify suppliers' invoices. RFO checks VAT accuracy
Ensure proper procedure for recording suppliers' invoices	Y	Documented in financial procedures
Ensure proper procedure for making and checking payments.	Y	Completion of payment grid on each invoice – also payment checks carried out as part of this review – elsewhere on agenda – indicate procedure applied consistently
Ensure proper filing system for purchase-ledger paperwork.	Y	Invoices filed alphabetically
Ensure proper system for issuing sales invoices and/or receipts.	Y	RFO does all invoicing through RBS system – each invoice is stamped "PAID" as income is received.
Ensure proper procedure for recording and checking sales invoices.	Y	RFO checks each invoice when printed for obvious errors. New Booking System has many automatic checks which eliminates many potential errors.
Ensure proper system for monitoring and ensuring prompt payment of sales invoices.	Y	See Credit Control process as considered by this Committee on 8 October 2015 and adopted by Full Council on 19 November 2015.
Ensure proper system for paying-in funds received.	Y	Weekly banking – items recorded on schedule (Cash banked more promptly)
Ensure proper filing system for sales-ledger paperwork.	Y	Files checked
Ensure cash book is up-to date.	Y	Sighted printed YTD Cashbook

Ensure bank reconciliations are carried out properly.	Y	Evidence in the files RFO carries out reconciliations monthly; these are signed by Chairman of the Audit Committee at each meeting of the Committee
Ensure petty cash tin balance is checked and agrees with paperwork and receipts.	Y	Checked 27 June 2019

Date review carried out: 27 June 2019

By: Councillor Michael Steel

Signed:

Godalming Town Council Audit Committee: Internal Review

Area of Review: VAT 2018

Test	Success Y/N	Notes
A) Whether VAT records are properly maintained?	Y	RBS maintains VAT accounts
B) Whether GTC and JBC registered to submit VAT records on line?	Y	Evidence of electronic submission receipts sighted.
C) Whether VAT forms are submitted correctly?	Y	Printouts of submissions to HMRC
D) Whether VAT paid correctly and on time?	Y	GTC receives refunds

Date review carried out: 27 June 2019

By: Councillor Michael Steel

Signed:

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.