

## **PARISH OF GODALMING**

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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, 12 MAY 2016 at 7.00pm.

DATED this 6<sup>th</sup> day of May 2016.

Louise P Goodfellow  
Clerk to the Town Council

### **A G E N D A**

1. ELECTION OF TOWN MAYOR

To ELECT a Town Mayor for the ensuing year:

Proposer: Councillor Wheatley  
Secunder: Councillor Gray

[The newly elected Town Mayor and Councillor A Bott 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 A Bott) 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 Mayor's Consort to receive his 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 T Martin  
Secunder: Councillor Noyce

6. PRESENTATION OF PAST MAYOR'S BADGE

Councillor A Bott to be presented with her Past Mayor's Badge.

7. ELECTION OF DEPUTY MAYOR

To ELECT a Deputy Town Mayor for the ensuing year

Proposer: Councillor Reynolds  
Seconded: Councillor Cosser

[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 28 April 2016.

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 80.

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 107, 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 Reynolds  
Councillor S Bott  
Councillor Noyce  
Councillor Thornton  
Councillor Welland  
Councillor Williams  
Councillor Pinches  
Councillor Bolton  
Councillor Gray  
Councillor Walden  
Councillor Young  
Councillor Purkiss

16. MEMBERSHIP OF THE PLANNING & ENVIRONMENT COMMITTEE

Members to note that, in accordance with SO 110, nineteen of their number will serve as Members of the Planning & Environment 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 Reynolds  
Councillor S Bott  
Councillor Noyce  
Councillor Thornton  
Councillor Welland  
Councillor Williams  
Councillor Pinches  
Councillor Bolton  
Councillor Gray  
Councillor Walden  
Councillor Young  
Councillor Purkiss

17. ELECTION OF MEMBERS TO THE MAYORALTY COMMITTEE

Members to elect, in accordance with SO 111, 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 Noyce  
Councillor Gray  
Councillor Young

18. ELECTION OF MEMBERS TO THE AUDIT COMMITTEE

Members to elect, in accordance with SO 113, five of their number as Members of the Audit Sub-Committee.

The nominees for the Committee are as follows:

Councillor Thornton  
Councillor Noyce  
Councillor Williams  
Councillor Pinches  
Councillor Purkiss

19. ELECTION OF MEMBERS TO THE STAFFING SUB-COMMITTEE

Members to elect, in accordance with SO 108, five of their number as Members of the Staffing Sub-Committee, one of which to be the Chairman of the Policy & Management Committee.

The nominees for the Sub-Committee are as follows:

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

20. ELECTION OF REPRESENTATIVES TO OUTSIDE BODIES

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

21. HENRY SMITH CHARITY - NOMINATION OF A TRUSTEE

Councillor Poulter's four-year appointment as one of the Town Council's nominative trustees on the Henry Smith Charity came to an end on 20 March 2016. The Clerk to the Trustees asks if the Council will nominate Councillor Poulter for a further four-year term.

Members are asked to agree the nomination of Councillor Poulter for a further four-year term on the Henry Smith Charity.

22. REPORT OF THE INTERNAL AUDITOR

Members to consider the report of an internal audit conducted on 3 May 2016 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.

23. 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 9 May 2016.

24. ACCOUNTING STATEMENTS 2015/16

Members to consider and agree the Town Council's Accounting Statements for the Financial Year Ended 31 March 2016 (copy of Section 2 of the Annual Return is attached for the information of Members).

25. DATE OF NEXT MEETING

The date of the next Full Council meeting is scheduled to be held on Thursday, 7 July 2016 at 7.00pm in the Council Chamber.

26. 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

20. ELECTION OF REPRESENTATIVES TO OUTSIDE BODIES

<u>EXTERNAL BODY</u>	<u>REPRESENTATIVES 2015/16</u>	<u>REPRESENTATIVES 2016/17</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) Cllr Gray	Town Mayor (Ex Officio)
Godalming Museum Trust	Cllr Gordon-Smith	Cllr Gordon-Smith
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 A Bott
Waverley Citizens Advice Bureau (observer)	Cllr S Bott	Cllr S Bott
Waverley Cycle Forum	Cllr Walden	Cllr Walden

# Godalming Town Council

## Internal Audit

### Year Ended 31st March 2016

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**Prepared by:** Mulberry & Co  
**Date of Interim Visit:** 23<sup>rd</sup> November 2015  
**Date of Final Visit:** 3<sup>rd</sup> May 2016

## 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.**

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## Summary Findings

I enclose my final report which incorporates all the comments from the interim visit for your kind attention and presentation to the council. I am pleased to report that overall the systems and procedures you have in place are entirely fit for purpose.

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 has 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.
- Review of Income
- Review of payroll
- Review of end of year accounts

### A. BOOKS OF ACCOUNT

The RBS system was tested to verify the brought forward balances and to review the entries made to the cashbooks. Entries were posted in a clear and logical manner and the brought forward balances were correct. I make no recommendation to change this system

### B. STANDING ORDERS AND FINANCIAL REGULATIONS

The Financial Regulations and Standing Orders were reviewed in the last 12 months and council agreed and minuted these properly. These documents are current and I make no recommendation to change at this time. I selected at random items to test from the financial regulations and am pleased to report the following.

- 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 were cut off errors between the months. **Council will need to perform an exercise to identify missing payments and authorise appropriately. Council reminded that FR states the list should be detailed in the minutes or appended as an attachment to the minutes.**
- FR 6.5 Cheque book stubs are being initialed twice. No bacs, or on-line payments.
- FR 7.1 Paye paid on time. Statutory obligations met.
- FR 6.17 Petty cash agrees at interim audit date.
- FR 10-11 Orders for Work, Goods and Services, & Contracts. IA has seen evidence of process being correctly followed, with council approval. Regular reports are made to council and progress is being robustly monitored.

### C. RISK MANAGEMENT & INSURANCE

A Regular review of risks is carried out and I am satisfied that risks are accounted for and documented properly. I was pleased to see the council has a good system of risk assessment and documentation.

Council has insurance in place. Money cover is adequate and insurance values can be related to the fixed asset register, an additional schedule has been added to ensure personal travel and accident is in accordance with staff contracts. Evidence has been noted of insurer input in reviewing insurable assets list on an annual basis.

**Information shown online does not fully meet the requirements of the transparency code. Council must bring this information up to date.**

#### **D. BUDGET & PRECEPT**

Budgets are reported against regularly, council is in the process of approving 1<sup>st</sup> draft budgets for committee approval. This is in accordance with Financial Regulations. Council has considered impact of pension's auto enrolment and living wage increases. IA is pleased to note that council is not considering use of general reserves to supplement precept.

Council reminded that whilst it has no power to accumulate general reserves, these should be set at circa 50% of normal precept.

#### **E. INCOME**

Income consists of, in the main, precept grants and PWLB loan receipt. Income was tested to third party remittances and bank statements there were no errors. It was noted that there were a couple of instances where income and expenditure had been netted off in the accounts and where journals releasing earmarked reserves had been posted to current year income and expenditure in error. This has been corrected on the annual return to gross out the income and expenditure in the balances submitted to the external auditor.

I am of the opinion that income is correctly recorded on the annual return.

#### **F. PETTY CASH**

Petty cash was tested to the tin and the randomly to receipts. There were no errors.

#### **G. PAYROLL**

The amounts shown on the annual return for staff costs can be related to payroll journals. The council has met its statutory obligation in respect of paye and Ni payments.

I am of the opinion that the staff costs as shown on the annual return are correctly recorded.

#### **H. ASSETS AND INVESTMENTS**

There was one large addition to the register for the building works at the WFN centre. The amounts shown on the register can be related to the annual return and insurance schedules.

The council does not hold any investment assets.

#### **I. BANK RECONCILIATIONS**

The bank reconciliations for all accounts are properly prepared and presented to council and committee for verification and approval. The year end bank reconciliation at the 31<sup>st</sup> March 2016 was tested in detail. There were no errors and this could be related to the annual return.

I am of the opinion bank and cash balances are correctly shown on the annual return.

#### **J. YEAR END ACCOUNTS**

The year end accounts have been prepared on the income and expenditure basis and there are workings to show the differences between boxes 7 & 8. It was noted however that there was/is a coding error on RBS that is causing the RBS annual return to show different closing balances to the balance sheet and income and expenditure accounts for the same period.

We have corrected this manually for the return to be submitted to the external auditor. Council is aware of the information requirements as detailed in the external auditors letter for submission.

I am of the opinion the amounts reported on the annual return are correctly stated.

#### **K. TRUSTESHIP**

Not applicable.

**Mark Mulberry**  
**Internal Auditor**  
**3<sup>rd</sup> May 2016.**

### Points Forward – Action Plan

Point Forward / Action needed	Auditor notes	Council response
<b>Other</b>		
Transparency Code	Council must ensure code is reviewed and implemented	

## Overview of Council

	Work Task	Schedule Ref	Notes/Results
<b>Terms of Engagement</b>			
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	<b>1.2</b>	Yes – confirmed and attached
3	Complete Budget	<b>1.3</b>	Completed & Agreed with Client
4	Complete Timetable	<b>1.4</b>	Completed & Agreed with Client
<b>Planning Notes – Understanding the Town &amp; Parish Council</b>			
	Number of electors and size of precept		16,000 (16,000 2014/15)  Precept £457k Grant £13k 2014/15 Precept £449k Grant £16k
	Key personnel		Louise Goodfellow 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.**

<b>INDEPENDENCE</b>	
Do you have any specific reliance on the fee to be earned from this assignment	No
<b>Overdue fees</b>	
Does the client/group of clients owe the firm any money which exceeds our normal credit terms?	No
<b>Litigation</b>	
Is there any actual or anticipated litigation between us and the client in relation to fees, audit work or other work?	No
<b>Associated firms</b>	
Are you or your staff associated with any other practice or organisation which has had any dealings with the client council?	No
<b>Family or other personal relationships</b>	
Do you or any of your staff have personal or family connections with the council or its officers?	No
<b>Mutual business interest</b>	
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
<b>Financial involvement</b>	
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
<b>Goods and services: hospitality</b>	
Have you or any of your staff accepted materials, goods or services on favourable terms or received undue hospitality from the council?	No
<b>Ex-partners or senior staff</b>	
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
<b>Long association</b>	
Have you been acting for more than 10 years? If yes, then consider rotation/engagement quality review. 8th Year of auditing	No
<b>Provision of other services</b>	
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:-	
<b>Competence</b>	
<b>Consider the following matters prior to deciding to accept appointment/re-appointment as auditors:</b>	
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
<b>Having regard to the safeguards identified, I am satisfied that we are independent and competent to perform this audit.</b>	

## Budget

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



## Timetable

<b>Autumn 2015</b>	<b>Planning and Interim Audit work</b>
<b>May 2016</b>	<b>Final Audit work</b>
<b>May 2016</b>	<b>Issue Audit Report &amp; Letter</b>

## Systems Notes

Godalming Town Council is located in the heart of the town in its own self-contained offices, which comprise a suite of rooms, kitchen, meeting rooms etc. The offices are currently owned by the Borough Council, the Town Council has a long standing permission to occupy. The offices are open daily from 9.00 am to 5pm Monday to Friday. There are members of staff on site during these times, the Clerk & RFO, Deputy Clerk.

### **Expenditure:**

If appropriate purchase orders are raised for expenses; however for general items such as telephone, rates etc no PO will be raised. The PO is generally signed off by the person who orders the goods/service. PO's are sequentially numbered. Yellow copy attached to invoice when arrives, white to customer.

When the invoice arrives – it is passed to the person who ordered the goods/service for review; if appropriate it is then matched to the PO. The yellow copy PO is attached to the relevant invoice. Discrepancies are investigated by the responsible person. Purchase invoices are posted to RBS after they have been matched to the PO and approved by the appropriate person. Invoice is then passed to the RFO for payment.

The RFO will then check budget, arithmetic, and will box stamp the invoice and will populate with relevant financial accounts information. Invoices then filed into unpaid folders. Cheques are hand written and the invoices for paying are kept with the cheque.

Quotes are obtained depending on the expense type and amount, for those amounts over £1,000 - £5,000 2 quotes, £5k to £50k – 3 quotes £60k+ tendering exercise. However, if deemed appropriate or significant a quote will be obtained even if below the £1,000 limit.

Expenditure has to be authorised by the council before payment can be made; however the Clerk & RFO have a pre-authorised limit of £1000.00.

### **Payment:**

The council pays all suppliers as soon as possible which is generally every week. In readiness the RFO prepares an expenditure list and cheques. Cheque Signatories generally visit the office on a weekly basis, if urgent RFO will contact signatories.

The signatories sign the cheques, initial the cheque book stubs, counter sign the invoice. The RFO issues the cheques by post together with a remittance. The payments list is ratified at P&M meeting.

Utilities are paid by DD.

There are five signatories. Chairman, Vice Chair, Chair of Planning or Vice Chair, and Mayor and Deputy Mayor. When there are changes the mandates are updated.

### **Petty Cash:**

There is a petty cash system. RFO float - £200 for office -. Total float of £200. This is insignificant.

Facilities and Cemeteries manager (Deputy Clerk) has advance of £500 (imprest) Clerk has £500 (imprest) – classed as a loan.

### **General Controls**

The council has good general controls

- Specified opening hours
- Locked offices
- Passwords on computers
- External PC back up – daily
- Audit Committee – meets circa every 12 weeks.

**Audit Committee**

They are responsible for ensuring procedures and policies are adhered to and to report these to council. At every meeting they independently verify the bank reconciliation. They are also responsible for verifying the general day to day bookkeeping.

There is a rolling work programme to complete risk assessments etc. A checklist of tasks has been drawn up to ensure all areas are covered on an annual basis.

**Income**

The council has three streams of income :-

- 1. Precept 92% - bacs
- 2. Community Centres, }
- 3. rent & interest - } 8% - cheques, occasional cash

**Staff**

There are personnel files on all members of staff. The Clerk is responsible for these.

## 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 HMRC 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	Regular reconciliations on RBS	Low	Test reconciliation in detail	I

reconciliations were properly carried out.				
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

<b>Objective</b>	<b>To confirm that appropriate books of account have been properly kept throughout the year</b>
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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 2014/15 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. I have verified the arithmetic by testing the bank reconciliations at October 2015.  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

<b>Objective</b>	<b>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.</b>
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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 model and were reviewed January 2015.
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> <p>Test a random sample of items to verify that internal controls are operating as described:-</p> <p>Purchase order procedures:</p> <ul style="list-style-type: none"> <li>that the correct number of estimates, quotes or full tenders depending on estimated value of contract have been obtained</li> <li>that proper purchase authority by council, a committee or officers (under clear delegated powers) is in place; and</li> <li>that a proper legal power has been identified for the expenditure.</li> </ul> <p>Purchase payments:</p> <ul style="list-style-type: none"> <li>that the supporting paperwork confirms that there is a fully approved invoice</li> <li>and authorisation for payment; and that VAT is identified appropriately for reclaim</li> </ul>	<ul style="list-style-type: none"> <li>FR 2.2 Bank reconciliations prepared and signed off in accordance with regulations.</li> <li>FR 2.5 Internal auditor properly appointed by council.</li> <li>FR 5.2 Payments list prepared and taken to policy and management committee. Minutes adequately describe the payments list being authorised, there were cut off errors between the months. <b><u>Council will need to perform an exercise to identify missing payments and authorise appropriately. Council reminded that FR states the list should be detailed in the minutes or appended as an attachment to the minutes.</u></b></li> <li>FR 6.5 Cheque book stubs are being initialed twice. No bacs, or on-line payments.</li> <li>FR 7.1 Paye paid on time. Statutory obligations met.</li> <li>FR 6.17 Petty cash agrees at interim audit date.</li> <li>FR 10-11 Orders for Work, Goods and Services, &amp; Contracts. IA has seen evidence of process being correctly followed, with council approval. Regular reports are made to council and progress is being robustly monitored.</li> </ul>
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"> <li>Invoices</li> <li>Other third party evidence</li> <li>Correct rate of VAT</li> <li>Correct treatment of VAT</li> </ul>	<p>All VAT returns on site together with working papers.</p> <p>All buildings now opted – no partial expentions.</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

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

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 and I make them aware of LTN40 in this regard.  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**

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

<b>Test</b>		<b>Comments /Conclusions /Points Forward</b>
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	Council's reserves are circa £326k of which general reserves are £190k. Council has a schedule of earmarked reserves and clerk is able to demonstrate how these are going to be spent.  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

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

<b>Objective</b>	<b>To confirm Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.</b>
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**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"> <li>• Amounts</li> <li>• Authorisations</li> <li>• VAT analysis</li> </ul>	These are authorised

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

Petty cash is satisfactory.

**(G) Payroll Controls**

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

**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.

<b>Test</b>		<b>Comments/Conclusions</b>
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

<b>Objective</b>	<b>To confirm asset and investments registers were complete and accurate and properly maintained.</b>
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**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

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

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**

<b>Objective</b>	<b>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.</b>
------------------	---

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.**

<b>Test</b>		<b>Comments/Conclusions</b>
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)**

<b>Objective</b>	<b>To confirm the council has met its responsibilities as a trustee</b>
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<b>Test</b>		<b>Comments/Conclusions</b>
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.

# Annual internal audit report 2015/16 to

Enter name of smaller authority here:

GODALMING TOWN COUNCIL

This smaller authority's internal audit, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31 March 2016.

Internal audit has been carried out in accordance with this smaller authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this smaller authority.

Internal control objective	Agreed? Please choose only one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been kept properly throughout the year.	✓		
B. This smaller authority met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This smaller authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	✓		
G. Salaries to employees and allowances to members were paid in accordance with this smaller authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic and year-end bank account reconciliations were properly carried out.	✓		
J. 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, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		

K. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	Not applicable
			✓

For any other risk areas identified by this smaller authority adequate controls existed (list any other risk areas below or on separate sheets if needed)

Name of person who carried out the internal audit MARIE MULBERRY BA (1/000) IFCCA CTA

Signature of person who carried out the internal audit  Date 3/5/2016.

\*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).  
 \*\*Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, internal audit must explain why not (add separate sheets if needed).

# Section 1 – Annual governance statement 2015/16

We acknowledge as the members of:

Enter name of smaller authority here:

GODALMING TOWN COUNCIL

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 2016, 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 and recorded as minute reference:

[Signature]

  
 dated [Date]

Signed by:

Chair

[Signature]

dated

[Date]

Signed by:

Clerk

[Signature]

dated

[Date]

\*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.

# Section 2 – Accounting statements 2015/16 for


Enter name of smaller authority here:

GODALMING TOWN COUNCIL

	Year ending		Notes and guidance
	31 March 2015 £	31 March 2016 £	
1. Balances brought forward	463 758	509 726	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	449 026	457 022	Total amount of precept or (for IDBs) rates and levies received or receivable in the year. Exclude any grants received.
3. (+) Total other receipts	197 207	1 060 400	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	208 635	248 753	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	NIL	11 289	Total expenditure or payments of capital and interest made during the year on the smaller authority's borrowings (if any).
6. (-) All other payments	391 630	1 430 964	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	509 726	336 142	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	527 166	314 166	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	184 745	1 241 182	The original Asset and Investment Register value of all fixed assets, plus other long term assets owned by the smaller authority as at 31 March
10. Total borrowings	NIL	836,776	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)	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.

I certify that for the year ended 31 March 2016 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.

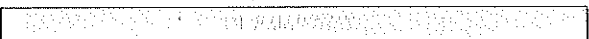
Signed by Responsible Financial Officer



Date

03/05/2016

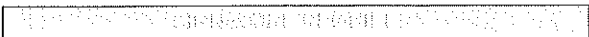
I confirm that these accounting statements were approved by this smaller authority on this date:



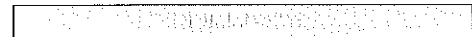
and recorded as minute reference:



Signed by Chair of the meeting approving these accounting statements.



Date



## GODALMING TOWN COUNCIL

Disclosure by a Member<sup>1</sup> 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]<sup>2</sup> [a non-pecuniary interest]<sup>3</sup> 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** \_\_\_\_\_

<sup>1</sup> "Member" includes co-opted member, member of a committee, joint committee or sub-committee

<sup>2</sup> 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

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