

WEM TOWN COUNCIL INTERNAL AUDIT PLAN 2019

Adopted

The maintenance of an adequate and effective system of Internal Audit

- a) Parish & Town Councils have a duty under the Account & Audit Regulations 2011 as amended to maintain an adequate and effective system of Internal Audit of their accounting records and of their systems of internal control in accordance with the proper practices in relation to internal control.
- b) The purpose of Internal Audit is to review whether the systems of financial and other controls are effective.
- c) Parish & Town Councils set out the control objectives usually in the form of standing orders and financial regulations.
- d) Councils determine the scope of and extent of their Internal Audits.
- e) The Council appoints an Internal Auditor who
 - Must not have any involvement in the decision making management or control of the Council thereby satisfying the principle of independence
 - Understands basic accounting processes, the role of Internal Audit in reviewing systems rather than undertaking detailed checks (the responsibility of management), accounting requirements of the legal framework and powers of local councils, has an awareness of risk issues thereby satisfying the principle of competence.
- f) The role of the internal auditor is to provide independent review and appraisal of the Council's internal control.

2. The Plan

- a) The Town Council on the recommendation of its Finance & Corporate Governance Committee appoints an Internal Auditor prior to the start of each financial year who satisfies the principle of independence and competence. The Appointee will receive a letter of appointment which sets out the terms of the appointment. The appointment will be remunerated. The appointment itself and rate of remuneration will be minuted.
- b) The Council will require the Internal Auditor to conduct the annual audit exercise as soon as possible after year end by agreement. The Internal Auditor will have all the documents required and access to officers and councils to undertake an effective audit on each occasion.
- c) The Council will provide the Internal Auditor with Terms of Reference for the annual audit.
- d) The Terms of Reference will ensure that

- The Internal Auditor has access to the evidence that will enable them to complete the Annual Governance and Accountability Return (AGAR).
- The Council will have an independent opinion of its system of internal control that will underpin its Annual Governance Statement (Section 1 of the AGAR).

Should the Internal Auditor be unable to complete any of the boxes in Section 4 he will provide an explanation.

- e) The Council will conduct a review once during each financial year of the effectiveness of its System of Internal Audit.
- f) The Town Council shall consider at an appropriate time the findings of the review and incorporate them in its Statement of Internal Control.
- g) The Audit Plan timetable is attached as Appendix 1
- h) The Audit Plan for 2018/19 is attached Appendix 2

3 Review of Effectiveness of the System of Internal Audit

- a) The Review will take place in January or February.
- b) The Review will be undertaken by the Finance & Corporate Governance Committee which will report to the Council.
- c) The Review will have two components
 - Whether the Internal Auditor met the Council's expected standards e.g. the scope of the Internal Auditor's work (does it for example enable the Auditor to complete the appropriate section of the AGAR. And give The Council the assurance that it needs to complete Section 1 of the AGAR).
 - Consideration of not just how valuable and useful the Internal Audit has been since it was last reviewed but how to incorporate new guidance and changes to the Council's own activities.
- d) The report of the Finance & Corporate Governance Committee (which will contain their opinion as to whether Internal Audit is effective) will be considered by the Town Council which will incorporate the outcome of the Review in its Annual Statement on Internal Control.

January 2019

Appendix 2

Town Council Audit Plan 2018/19

Scope

The scope of internal audit spans the whole range of the Council's activities and includes the review of those controls designed to ensure:

- The Council's policies are put into practice
- The Council's values are met
- Laws and regulations are complied with
- Processes are adhered to
- Financial information is accurate and reliable
- Human financial and other resources are managed efficiently and effectively

Unplanned Work

If necessary work will be varied to include areas where significant weaknesses are identified. No contingency for unplanned work has been included in the plan and each issue will be dealt with as it arises. Examples of unplanned work are:

- Investigations
- Requests from the Council's Finance and Corporate Governance Committee
- Additional work required on planned activities

Reporting

A report will be provided to the Council after the annual visit summarising:

- Work carried out
- Significant findings
- Agreed actions
- Recommendations
- Performance against the Audit Plan

The Audit Plan will be kept under continuous review within the context of achieving overall objectives. Should significant amendments be necessary these will be discussed and reported to the Council at the earliest opportunity.

Internal Auditor's Terms of Reference – Year End 2018/19

Internal Control	Testing Required
Proper bookkeeping	<ul style="list-style-type: none"> • Is the cashbook maintained and up-to-date? • Is the cashbook arithmetically correct? • Is the cashbook regularly balanced?
<p>A. Standing Orders & Financial Regulations Adopted and Applied</p> <p>B. Payment Controls</p>	<ul style="list-style-type: none"> • Has the Council formerly adopted its Standing Orders & Financial Regulations? • Has a responsible officer been appointed with specific duties? • Have items on services above the de minimus amount been competitively purchased? • Are payments in the cashbook supported by invoices authorised and minuted? • Has VAT on payments been identified, recorded and reclaimed? • Is Section 137 expenditure separately recorded and within statutory limits?
Risk Management Arrangements	<ul style="list-style-type: none"> • Does a review of the minutes identify any unusual financial activity? • Do minutes record the Council carrying out an annual risk assessment? • Is insurance cover appropriate and adequate? • Are internal financial controls documented and regularly reviewed? • Has the Council assessed the significant risks to achieving its objectives relative to its management of its finances and has procedures in place to deal with this?
Budgetary Controls	<ul style="list-style-type: none"> • Has the Council prepared an annual budget in support of its precept? • Is actual expenditure against the budget regularly reported to the Council? • Are there any significant unexplained variances from budget? • Is the budget matched to year end outturn to enable consistent comparison of financial performance? • Are year end variances explained?
Income Controls	<ul style="list-style-type: none"> • Is income properly recorded and paid in? • Does the precept recorded agree to the Council Tax authorities' notification? • Are security controls over cash and near cash adequate and effective?
Petty Cash Procedures	<ul style="list-style-type: none"> • Is all petty cash spent, recorded by VAT invoices/receipts? • Is petty cash expenditure reported to each Council meeting? • Is petty cash reimbursed?
Payroll Controls	<ul style="list-style-type: none"> • Do all employees have contracts of employment with clear terms and conditions? • Do salaries paid agree with those approved by the Council? • Are other payments to employees reasonable and agreed by the Council?

	<ul style="list-style-type: none"> • Have PAYE and NIC been properly operated by the Council as an employer?
Asset Controls	<ul style="list-style-type: none"> • Does the Council maintain a register of all material assets owned or in its care? • Are the assets and investments, investments registers up-to-date? • Do asset insurance valuations agree with those in the asset register?
Bank Reconciliation	<ul style="list-style-type: none"> • Is there a bank reconciliation for each bank account? • Is there a bank reconciliation carried out regularly and in a timely fashion? • Are there any unexplained balancing entries in any reconciliation? • Is the value of investments held summarised on the reconciliation? • Has a yearend reconciliation been carried out?
Year End Procedures	<ul style="list-style-type: none"> • Are yearend accounts prepared on an income and expenditure basis? • Do accounts agree with the cash book? • Is there an audit trail for underlying financial records to the accounts? • Where appropriate have debtors and creditors been properly recorded?
Improvements	<ul style="list-style-type: none"> • Has the Council acted on the recommendations and comments of the internal and external auditors?
GDPR	<ul style="list-style-type: none"> • Is the Council complying with the GDPR?

INTERNAL AUDIT SERVICE FOR WEM TOWN COUNCIL

AUDIT PROGRAMME – 2018/19

I certify that I have carried out the tests detailed below in accordance with the suggested approach contained in the 2010 edition of “Governance and Accountability in Local Councils in England and Wales – A Practitioners Guide”. Where an entry has been made in column 4 the supporting Working Papers are attached.

Signed.....Date.....

1 Internal Control	2 Tests	3 Initial if Yes	4 W/P Reference	5 Comments / Recommendations
Previous Internal / External Audit Report	Do the minutes record that the Council has considered the Internal Audit / External Report for the previous year and the matters arising addressed?			
Proper bookkeeping	Is the cashbook maintained and up to date?			
	Is the cashbook arithmetically correct?			
	Is the cashbook regularly balanced?			
Standing Orders and Financial Regulations	Has the Council formally adopted Standing Orders and Financial Regulations?			
	Has a Responsible Financial Officer been appointed?			
	Have items or services above a de minimis amount been competitively purchased?			
	Are payments in the cashbook supported by invoices and have they been authorised and minuted?			

	Has VAT on payments been identified, recorded and reclaimed?			
	Is Section 137 expenditure separately recorded and within statutory limits?			
Risk Management Arrangements	Does a scan of the minutes identify any unusual activity?			
	Do the minutes record the Council carrying out an annual risk assessment?			
	Is insurance cover appropriate and adequate?			
	Are internal financial controls documented and regularly reviewed?			
	Has the Council assessed the significant risks to achieving its objectives relative to its management of its finances and has procedures in place to deal with it?			
Budgetary Controls	Has the Council prepared an annual budget in support of its precept?			
	Is actual expenditure against the budget regularly reported to Council?			
	Are there any significant unexplained variances from budget?			
	Is the budget matched to year end outturn to enable consistent comparison of financial performance?			
	Are yearend variances from budget explained?			

Income Controls	Is income properly recorded and promptly banked?			
	Does the precept recorded in the cashbook agree to the District Council's notification?			
	Are security controls over cash adequate and effective?			
Petty Cash Procedures	Is all petty cash spent recorded and supported by VAT invoices/receipts?			
	Is petty cash expenditure reported to Council?			
	Is petty cash reimbursement carried out regularly?			
Payroll Controls	Do salaries paid agree with those approved by Council?			
	Do all employees have contracts of employment with clear terms and conditions?			
	Are other payments to the Clerk reasonable and approved by Council?			
	Has PAYE/NIC been properly operated by the Council as an employer?			
Assets Controls	Does the Council keep an Assets Register of all material assets owned?			
	Is the Register up to date?			
	Do asset insurance valuations agree with those in the Register?			

Bank Reconciliation	Is there a bank reconciliation for each bank account?			
	Is the bank reconciliation carried out regularly on the receipt of statements?			
	Are there any unexplained balancing entries in any reconciliation?			
Year-End Procedures	Are year-end accounts prepared on the correct accounting basis?			
	Do accounts agree with the cashbook?			
	Is there an audit trail for underlying financial records to the accounts?			
	Where appropriate, have debtors and creditors been properly recorded?			
GDPR	Is the Council working within the GDPR			

WEM TOWN COUNCIL

STATEMENT ON INTERNAL CONTROLS 2018/19

SCOPE OF RESPONSIBILITY

Wem Town Council is a local authority funded largely by the taxpayers of Wem Urban which is responsible for ensuring:

- That its business is conducted in accordance with
- The law and proper standards
- That public money is safeguarded and properly accounted for
- It is used economically, efficiently and effectively.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed:

- to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives
- to evaluate the likelihood of those risks being realised and the impact should they be realised
- to manage them efficiently, effectively and economically

The system of internal control has been in place at the Council for the year ended 31 March 2018 and up to the date of approval of the annual accounts and accords with proper practice as set out in the Practitioners' Guide - *Governance and Accountability in Local Councils* (2010 Edition).

THE INTERNAL CONTROL ENVIRONMENT

The Council

The Council reviews its obligations and objectives and approves a budget for the following year at the budget meeting held in January. The meeting of the Council on 16.1.18 approved the level of precept for the 2018/19 financial year.

The Council has appointed a Finance & Corporate Governance Committee. The Committee has met four times in the year since 1.4.18.

Members of the Committee monitor progress against objectives, financial systems and procedures, budgetary control and carry out regular reviews of financial matters. It also drafts the annual Internal Audit Plan for approval by the Council. The Committee reviews the Council's Standing Orders and Financial Regulations at least annually.

Minutes of the meetings of the Committee and any recommendations are circulated to and approved by the Council.

The full Council meets monthly each year. It considers the monthly budget report and considers relevant reports from the Finance & Corporate Governance Committee and the Town Clerk.

Financial Regulations set out the requirements for the conduct of the Council's financial management. The Council carries out regular reviews of its internal controls, systems and procedures. The Standing Orders and Financial Regulations were reviewed May 2018.

Town Clerk / Responsible Financial Officer

The Council has appointed a Town Clerk who acts as the Council's advisor and administrator. The Town Clerk is also the Council's Responsible Financial Officer and is responsible for administering the Council's finances. The Town Clerk is responsible for advising on the day to day compliance with laws and regulations that the Council is subject to and for managing risks. The Town Clerk also provides advice to help the Council ensure that its procedures, control systems and policies are adhered to.

Payments

All expenditure must be authorised by the Council and within the budget set by it.

Accounts are paid primarily by BACS with some cheque payments signed at Council meetings. A report is presented to each Councillor at the meeting detailing every account to be paid against the Cheque/BACS No., with a brief description of the payment and amount to be paid. Any payments made in advance of the meeting are reported at the next available meeting.

At the meeting the Clerk takes the account file so that Members can see every invoice received included with the invoice will be the quote for the works if necessary. The Clerk prepares all the cheques for signature at the meeting these are then signed by two of the Council Members. The amounts on the cheques are checked against the amount shown on the meeting paper and invoice. Councillors, if in agreement, will then sign the cheque and initial the cheque stub and appropriate invoice.

For BACS payments these are uploaded to the Unity Banking System and each transaction number noted on the invoice. Councillors do not authorise BACS payments until after the payments have been approved at the monthly full council meeting. If the payment is to a new supplier the Clerk will supply a copy of the invoice with the bank details highlighted to Councillors who are able to authorise BACS payments so that they can check the supplier bank account number prior to authorisation. Councillors will sign the invoice to show they have done this.

All payments made are included in the minutes for the relevant month and approved by the Council in the usual procedure; payments will include a minute number if appropriate.

No member of staff of the Council can make payments (otherwise than out of petty cash) or sign cheques.

The Mayor checks the monthly bank reconciliation and petty cash reconciliation and signs the bank statements to prove they agree with the reconciliation.

BUDGET

In the autumn of each year Members are asked to give consideration to the following Financial Year's budget, projects, schemes, running costs etc.

In January of each year Members agree the budget for the Council and this is duly minuted. A copy of the agreed budget is distributed to all Members a copy is kept in the Minute File and taken to all Council meetings.

Expenditure is agreed in accordance with the budget remit and is duly recorded and minuted. The Clerk at each monthly meeting produces details showing all expenditure against the budget to ensure that the Council are 'on-track' with spending.

Contracts

The Council's Standing Orders and Financial Regulations set out the tender or quotation requirements for contracts of differing amounts. These are reviewed annually in accordance with the Audit Plan timetable.

Donations to Groups/Organisations

Requests for donations are considered in January of each year to be paid in the April of each year. In special circumstances the Council will consider the merits of granting a donation to a local group/organisation who request an award at other periods in the year.

Recording Of Accounts – Clerk's Procedure

For every payment made the Clerk has a file showing the payments made each calendar month. On the file a copy of the bill is kept, plus a copy of the order, delivery note and any receipt for the payment that is received back along with any quotes. In the same way the Clerk records Receipts received.

All payments and receipts are entered on to a computerised Rialtus system every month after being approved at the meeting.

Bank Procedures

Bank statements for all accounts are received monthly and the Clerk completes a bank reconciliation for all accounts every month. As part of the Council's internal audit procedures a nominated Councillor usually the Mayor carries out a full reconciliation each month and reports their findings to the next Finance and Corporate Governance Committee meeting.

Receipts are paid into the bank as quickly as possible to maximise the Interest payable.

VAT

All VAT paid is entered onto the accounting system. A claim is made every quarter to the Customs and Excise Office for VAT paid in the previous three months and all payments made are directly credited to the Councils Current Account. The Claim shows a brief detail of the payment, VAT claimed and suppliers VAT Registration No. The accumulative total of VAT should balance with the VAT on the Payments Ledger; this provides a double check that the correct VAT is being claimed.

Staff Salaries and Travel Expenses

The details of the agreed Salary are recorded in the appropriate minutes accordingly; a copy is also kept separately in the staffing files. The Clerk is responsible for updating Shropshire Council payroll with any changes to staff hours.

Staff make out a mileage sheet monthly detailing journeys made on behalf of the Council. Mileage is paid at 40p per mile. The Mayor signs the Clerk's mileage claim and the Clerk authorises staff mileage claims.

Pensions

Eligible Staff are enrolled in local government pension scheme.

Cash Handling

All cash is kept locked away until it can be banked and is dealt with in line the Town Council's cash handling procedures. (15.12.16)

Petty Cash

All petty cash receipts and payments are recorded in a file prior to being inputted on the Rialtus system.

Assets

The Clerk keeps details of all property owned by the Council in an Asset's Register and a review schedule is held by the council.

Insurance

Insurance is renewed and additional Insurance cover is taken to cover individual projects such as events and Schemes as necessary.

Risk Assessments / Risk Management

The Town Clerk will report on risk assessment to the Finance & Corporate Governance Committee in accordance with the timetable set out in the Audit Plan.

Business Continuity and Disaster relief

Policy adopted November 2015 and reviewed April 2018 to be reviewed April 2019.

Reserves Management

Separate policy adopted 23.2.17, last reviewed April 2018 to be reviewed April 2019.

Investments

Investment strategy reviewed and updated annually last reviewed April 2018.

End of Financial Year Accounts

As soon as the Bank statements are received, up to and including 31 March transactions, the Clerk finalises the end of year Financial Accounts. A Detailed Financial report is placed before Members for their approval and a copy of the Annual Return, which is sent to the external auditors, is also given to each Council Member.

The completed accounts are presented, at the earliest opportunity after 31st March, for approval by the Council, both the Chairman of the Council and the Responsible Financial Officer (the Clerk) signs the Balance sheet and the new Annual Return, this is duly recorded in the relevant minutes.

Internal Audit

The Council will appoint an Independent internal auditor who will report to the Council on the adequacy of its records, procedures, systems, internal control and risk management.

REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting an annual review of the effectiveness of the system of internal control, which should include a review of the effectiveness of internal audit. The review is conducted by the Finance & Corporate Governance Committee and must be approved by the Council. The Council will also approve the Statement on Internal Control as part of the Internal Audit Plan.

(Chairman of the Finance &
Corporate Governance Committee)

(Responsible Financial Officer / Town Clerk)

Approved and adopted by Wem Town Council
January 2019