



Huntingdon Town Council

Summary of internal audit work 2009/10

1 Proper bookkeeping

Review of systems to ensure the 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.

Confirmed reliable computerised accounts system used.

Reviewed monthly bank/ cash reconciliations to ensure no differences or balancing entries.

Test checked one month bank reconciliation to ensure arithmetically correct, and checked reconciliation to bank statement and to the trial balance.

Checked one month petty cash reconciliation to vouchers, trial balance and cash in the tin.

Reviewed detailed quarterly VAT returns.

No points to raise in these areas, the systems appear to be adequate and are operating properly.

2 Standing orders and financial regulations

Copy of financial statements and standing orders obtained from the Town Council website. Reference made to these documents in the relevant sections.

Made enquires of staff to ensure they are aware of these documents.

Review of register of interests book carried out.

All appear to be in order.

3 Payment controls

Review of current systems carried out.

Performed a walk through test on a sample of transactions to ensure the system is running as per the system notes.

Agreed sample selected to schedule of payments per the minutes of the Finance Committee meeting.

Review of purchase invoice file carried out for authorisation of invoices.

Review of trade creditors.

Review of purchase day book for any material/ unusual transactions. Discussed material transactions with Town Clerk and carried out a review of Minutes.

Confirmed systems in place for tendering process.

There were no tenders during the year.

It was noted that the Financial Regulations require that the invoice reference number should be entered onto the cheque stubs and the cheque. This is not currently carried out and the Financial Regulations will be amended to remove this.

4 Risk management arrangements

Review of Minutes carried out for any suggestion of unusual activity and for any evidence that risks are being identified and managed.

A Risk Management Policy was prepared and adopted by the Finance Committee during the year.

Discussed policy with Town Clerk and confirmed internal risk assessments have been carried out on Council assets and operations during the year.

The key business activities have been reviewed in the year and a manual is being produced detailing procedures of all systems in place, and contingency plans in place in case of an epidemic.

An Access based computer system has been established. Individuals have been assigned areas of risk. It is the intention to develop a register of risks over the coming year and risks identified are to be evaluated as to the potential consequences to the council, appropriate measures to avoid, reduce or control the risk or its consequences and record any conclusions or decisions reached.

It was noted that risk management arrangements are currently being developed.

5 Budgetary controls

Discussed and confirmed with Town Clerk no changes in the budget process.

Detailed budget report seen.

Confirmed variance analysis is carried out and reviewed every eight weeks at Finance Committee meeting. Reviewed minutes to confirm this is carried out.

The level of reserves to be maintained were discussed and agreed at the Finance Committee meeting.

No points to raise in this area, the system appears to be adequate and is operating properly.

6 Income controls

Review of systems in place carried out.

Agreed precept due received in full during the year.

Copy of schedule of lease holders calendar obtained stating amounts due and dates payable. Agreed all income due had been invoiced in the year at the correct rate.

Agreed a sample of hire bookings from diary entry to invoice posted on sage system.

Agreed a sample of allotment holders to sage system to ensure invoiced correctly.

Agreed a sample of interment income from documentation to invoice and posting on accounts system.

Review of debtors to ensure adequate procedures in place to chase outstanding debts as they fall due.

It was noted during the year that bookings made for the Medway centre had not been invoiced. This occurred because the temporary manager employed had not passed the relevant paperwork to the accounts department. A detailed review of the booking diary was carried out and all monies not invoiced were chased and received for the year. This was not carried out for the entire period that the temporary manager was employed.

Agreed with the Town Clerk that a review of the period November 2008 to February 2009 is to be carried out to ensure there were no further bookings not invoiced.

A quarterly visit to the Medway centre will now be carried out to review the diary and booking forms to ensure the system is operating correctly and all monies due are invoiced.

7 Petty cash procedures

Confirmed petty cash is counted and reconciled to the trial balance monthly and agreed vouchers support payments made. A third party check is carried out at intervals during the year. The reconciliation is initialled as checked.

8 Payroll controls

Confirmed reliability of computerised payroll system used.

Review of system to ensure wages and salaries are paid at the correct rates and PAYE/NIC is correctly deducted and paid to HM Revenue and Customs.

Reviewed monthly bacs net pay reports ensuring monthly/ weekly payments were consistent.

Selected a sample of 2 monthly employees and 2 weekly employees to test. Agreed salary increases to supporting documentation, contract of employment, calculation and deduction of PAYE and NIC, net pay to bacs report and postings into the sage accounts system.

Agreed payments and reconciliation of PAYE/NIC creditor.

It was noted that the payroll operator is responsible for updating employee records for pay increases annually. Suggested this is checked by a third party to avoid the risk of error in calculations. This check should be documented and initialled by third party.

Confirmed that the payroll system is backed up weekly and monthly to the C drive, to a tape and remotely by the IT Support Company, CNS Ltd.

Driving licences.

It was suggested in the previous year that driving licences be reviewed periodically to ensure employees driving council vehicles still hold valid licences and confirm have not received any points on their licence to avoid the risk of this affecting the council's insurance policy in the event of a claim. Documentation to be held on employee files to confirm this.

9 Asset controls

Copy of fixed asset register obtained.

Visited Commemoration Hall and Town Hall and physically verified material items to the fixed asset register. Reviewed monthly reports carried out by park manager and annual report/ inspection carried out on the parks by insurance company. Verified vehicle registration documents for vehicles on fixed asset register.

Checked items on fixed asset register to insurance policy. It was noted that the Whitney Cup was insured at the Town Hall, as this is held at the winners address insurance policy to be amended.

The Town Hall paintings were professionally valued some years ago in conjunction with the insurance company. The insurance company increases the insured value annually and this cover has been reviewed.

The Town Council is looking at software to deal with asset verification as there is currently no formal system in place for physical verification of all fixed assets.

Recommend a periodic review is carried out, physically verifying all fixed assets held to the fixed asset register. This document should be dated and initialled by reviewer.

Title Deeds currently retained at the Town Council office to be transferred to the safe in the Commemoration Hall by 31 August 2009. This has not yet been carried out.

10 Bank reconciliations

Review of system for recording bank transactions.

Testing carried out refer to point 1.

No points to raise in this area, the system appears to be adequate and is operating properly.

11 Year end procedures

Agreed the following reconciliations and control accounts to supporting documentation and to the Sage trial balance.

Bank reconciliations – agreed reconciliation to the bank statement at the year end.
Agreed to list of outstanding cheques.

Petty Cash – agreed to reconciliation at 31.03.10

VAT – agreed debtor outstanding at 31.03.10 to the VAT return

PAYE/ NIC and pension creditor – agreed to sage payroll reports

Debtors – agreed to detailed debtors breakdown per Sage. Agreed overdue invoices are being chased in accordance with the systems notes.

Sundry debtors and prepayments – agreed total provided to supporting workings.

Other creditors and accruals – agreed total provided to supporting workings.

Agreed reserves brought forward to previous years accounts.

Agreed Sage trial balance to the financial statements at the year end.

It was noted that no adjustment had been made for the Commemoration Hall recharges for March 2010 £3,282. This had been noted by the Town Clerk and the accounts will be updated for this adjustment.

No points to raise in this area, the system appears to be adequate and is operating properly.

9 June 2010

Kinnaird Hill



HUNTINGDON TOWN COUNCIL

MATTERS ARISING FROM THE INTERNAL AUDIT WORK

YEAR ENDED 31 MARCH 2010

1. **Control issue and cause**

Fixed assets – no formal verification/physical check is carried out on fixed assets

Potential impact

Fixed asset register may not be fully up to date
Possible unidentified damage or loss of fixed assets
Potentially uninsured assets

Possible solution

A formal verification/physical check is carried out on all fixed assets during the year. This could be carried out in conjunction with the annual insurance review. This check would ensure that the fixed asset register is kept up to date, ensure fixed assets are still held, are in working order and not in need of maintenance or repair, and that insurance cover is adequate.

COMMENT

2. **Control issue and cause**

Driving licences – no system in place to ensure employees continue to hold a valid driving licence

Potential impact

Potential invalidation of insurance cover

Possible solution

These are checked at the commencement of employment, but not reviewed periodically.

A procedure to be put in place to periodically review that employees using the Town Council vehicles still hold valid licences and if applicable have not received any endorsements.

COMMENT

HUNTINGDON TOWN COUNCIL

MATTERS ARISING FROM THE INTERNAL AUDIT WORK

YEAR ENDED 31 MARCH 2010 (CONT.)

3. **Control issue and cause**
Title deeds and burial information are currently held in the offices of the Huntingdon town council

Potential impact

Loss of information

Possible solution

Transfer of documents to a fireproof safe.

COMMENT

4. **Control issue and cause**
Completeness of risk management assessment.

Potential impact

Unidentified potential risks

Possible solution

A risk management policy has been adopted. A risk register has been established which is currently being updated for risks identified.

COMMENT

5. **Control issue and cause**
Payroll – no control in place to ensure wages and salaries are correctly and accurately updated for pay rises.

Potential impact

Potential errors in calculation resulting in incorrect salary payments being made.

Possible solution

Calculations for updating salary information to be checked and initialled as agreed by Town Clerk.

COMMENT

HUNTINGDON TOWN COUNCIL

MATTERS ARISING FROM THE INTERNAL AUDIT WORK

YEAR ENDED 31 MARCH 2010 (CONT.)

6. Control issue and cause

The Financial Regulations state that the invoice reference number should be entered on the cheque stubs and the cheque, but it appears that currently, the reference is not being recorded on the cheque.

Potential impact

Non compliance with Financial Regulations

Possible solution

Financial Regulations require amendment.

COMMENT

7. Control issue and cause

It was noted that bookings at the Medway Centre had not been invoiced in the year due to the relevant booking information not being passed to the accounts department by the temporary manager.

Potential impact

Incomplete sales

Possible solution

A check has already been carried out for the period from March 2009 to the date the temporary manager left. All amounts due were invoiced and monies were received. This was not carried out for the entire period that the temporary manager was employed. A further check for the period November 2008 to February 2009 is to be carried out to ensure there were no further bookings not invoiced.

A control is to be put in place to ensure bookings per the diary (which is now available through outlook on the computer) agrees to the relevant booking forms received and that an invoice has been correctly raised.

COMMENT

HUNTINGDON TOWN COUNCIL

MATTERS ARISING FROM THE INTERNAL AUDIT WORK

YEAR ENDED 31 MARCH 2010 (CONT.)

6. Control issue and cause

The Financial Regulations state that the invoice reference number should be entered on the cheque stubs and the cheque, but it appears that currently, the reference is not being recorded on the cheque.

Potential impact

Non compliance with Financial Regulations

Possible solution

Financial Regulations require amendment.

COMMENT

7. Control issue and cause

It was noted that bookings at the Medway Centre had not been invoiced in the year due to the relevant booking information not being passed to the accounts department by the temporary manager.

Potential impact

Incomplete sales

Possible solution

A check has already been carried out for the period from March 2009 to the date the temporary manager left. All amounts due were invoiced and monies were received. This was not carried out for the entire period that the temporary manager was employed. A further check for the period November 2008 to February 2009 is to be carried out to ensure there were no further bookings not invoiced.

A control is to be put in place to ensure bookings per the diary (which is now available through outlook on the computer) agrees to the relevant booking forms received and that an invoice has been correctly raised.

COMMENT

9 June 2010

Kinnaird Hill