



WETHERBY TOWN COUNCIL

AUDIT PLAN AND INTERNAL CONTROLS FOR 2017/18

“It is the council as a whole that is responsible in law for ensuring that its financial management is adequate and effective and that the council has a sound system of internal control which facilitates the effective exercise of their functions and which includes arrangements for the management of risk”. - Governance and Accountability for Local Councils - A Practitioners’ Guide 2014

INTRODUCTION

Wetherby Town Council is a local authority funded largely by public money, and is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, Wetherby Town 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. Therefore, a review of Wetherby Town Council’s internal controls and audit plan for 2017/18 has been undertaken by Councillors in consultation with the Clerk at the meeting of the Council held on 14th November 2017.

CLERK TO THE COUNCIL / RESPONSIBLE FINANCIAL OFFICER (RFO)

The Council has appointed a Clerk to the Council who acts as the Council’s advisor and administrator. The Clerk is also the Council’s Responsible Financial Officer and is therefore responsible for administering the Council’s finances. The 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 Clerk also provides advice to help the Council ensure that its procedures, control systems and policies are adhered to.

The Council recognises that there are three tiers of audit and has planned accordingly.

CONTROLS / PLAN	REVIEW FOR 2017/18
Internal Controls within the Council.	
The Council has adopted a set of Financial Regulations, which are reviewed at least annually. These are based on templates obtained from the National Association of Local Councils.	New financial regulations adopted on 12 th September 2017.

<p>The RFO prepares a budget for the Council's consideration each autumn. The RFO and Budgets Committee monitors the Council's performance against the agreed budget every month.</p>	<p>The 2017/18 budget was approved at the Finance & General Purposes Committee meeting held on 24th January 2017.</p>
<p>Summary financial statements, which include a budget comparison, are presented for the Council's approval each month.</p>	
<p>All payments, including those made under delegated powers, are notified to the Council for formal approval and recorded in the minutes of the relevant meeting as part of the financial report.</p>	
<p>The Council maintains at least one bank account in its own name. Members of the Budgets Committee, who are also bank signatories, can verify bank balances using the online banking facility.</p>	<p>At the start of the 2017/18 financial year the Council was operating two Unity Trust bank accounts.</p>
<p>The RFO carries out monthly bank reconciliations of the Council's bank accounts and petty cash system. A reconciliation is also carried out as part of the preparation of the Council's annual accounts. On a regular basis, at least once in each quarter, and at each financial year end, two members of the Budgets Committee shall verify bank reconciliations (for all accounts) produced by the RFO. The Councillors shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification.</p>	<p>Practice to commence with immediate effect after adoption of new financial regulations.</p>
<p>Payments are authorised by two members of the Council, who also sign the cheque stub (if appropriate) and the corresponding invoice / payment request. Councillors do not sign blank cheques!</p>	



<p>Councillors are kept informed of the overall financial position of the Council via a balance analysis report. This dissects the bank balances so as to give Members a true understanding of the Council's financial position.</p>	<p>Reserves information provided for first time as part of 2016/17 accounts information. The Council needs to agree its reserves policy, after a recommendation by the Budgets Committee.</p>
<p>The Council has ten employees.</p> <ul style="list-style-type: none"> • All members of staff have contracts of employment. • The Council's insurance policy includes a fidelity guarantee to protect it from fraud related losses. • The Council has a current subscription to appropriate payroll software which regularly updates in accordance with guidance from HMRC. • The Council is registered as an employer with HMRC and meets RTI requirements through the monthly submission of electronic returns. • Staff are paid monthly via an internet banking payment (see below). 	
<p>Payments made by internet banking are made in accordance with the Council's financial regulations. Invoices and payment requests are checked by two members of the Budgets Committee prior to payment.</p>	
<p>The Council maintains an insurance policy which is reviewed each year prior to renewal.</p>	<p>Insurance policy renewed through AON UK Ltd on 23rd July 2017. Notification received that AON UK Ltd are withdrawing from the Council insurance sector and policy now handled by BHIB Ltd. Long term agreement ends in July 2018, therefore quotations will need to be sought prior to new policy being taken out.</p>
<p>The Council maintains an asset register.</p>	<p>Review of asset register agreed at Annual Meeting of the Town Council held on 23rd May 2017.</p>



<p>The Council ensures that it follows current best practice in the following ways:</p> <ul style="list-style-type: none"> • It maintains its membership of the Yorkshire Local Councils Associations. • The current Clerk is a member of the Society of Local Council Clerks. • It receives the Clerks and Councils Direct newsletter. • The Clerk and other members of staff regularly take advantage of training opportunities provided by YLCA and other relevant institutions. • Councillors are advised of, and encouraged to take advantage of training opportunities provided by YLCA and other institutions. 	<ul style="list-style-type: none"> • Membership of the Yorkshire Local Councils Associations was renewed in April 2017 and expires at the end of March 2018.
Internal Audit	
<p>Wetherby Town Council appoints an Internal Auditor at the start of each financial year. The appointment is recorded in the minutes of the relevant meeting of the Town Council.</p> <p>A letter, including the conditions and duration of the appointment, must be prepared and given to the Internal Auditor.</p> <p>The Internal Auditor is asked to review the Council's financial and other affairs for the current year in accordance with best practice; currently Governance and Accountability for Local Councils - A Practitioners Guide (2017 edition).</p>	<ul style="list-style-type: none"> • The Internal Auditor for the 2017/18 financial year is Yorkshire Internal Audit Services. • The appointment was recorded in the minutes of the meeting held on 11th July 2017, item 145-17.
<p>The Council assures itself that the Internal Auditor is competent to carry out the task at hand and:</p> <ul style="list-style-type: none"> • Understands basic accounting processes. • Understands the role of internal audit in reviewing systems. • Is aware of risk management issues. • Understands the account requirement of the legal framework and powers of local councils. 	<p>Auditor changed to Yorkshire Internal Audit Services for 2017/18 with the current intention being to reappoint Moulds & Co. Ltd as the Council's internal auditor for the 2018/19 financial year and thereafter alternating between service providers, considering alternatives as they present themselves.</p>



<p>The Internal Auditor will be expected to carry out their duties ethically and with objectivity and integrity.</p>	
<p>The Internal Auditor's tests of the Town Council's finance and governance procedures will be in accordance with Governance and Accountability for Local Councils - A Practitioners Guide (2017 edition) using a framework provided by Yorkshire Internal Audit Services.</p>	<p>Testing schedule for the 2017/18 financial year is appended to this document.</p>
<p>The Internal Auditor will report in his/her own name to the Council.</p>	<ul style="list-style-type: none"> • In 2017/18 the Council's Internal Auditor is Howard Miller from Yorkshire Internal Audit Services. • Members of the Budgets Committee advised of date and time of auditor visits and encouraged to conduct a familiarisation exercise. • Appointment for Mayor and Internal Auditor to meet has been arranged for October 2017.
<p>The Internal Auditor has direct access to the Clerk to the Council/RFO and the Mayor.</p>	<p>Name and contact details of Councillor Norma Harrington provided in the letter of appointment.</p>
<p>The Internal Auditor has no other role within the Town Council.</p>	<p>Any change in personal circumstances that may cause a question over the independence requirement must be reported to the Council.</p>
<p>The Internal Auditor reports in writing to the Town Council. The Council agrees any necessary action as a result of the Internal Auditor's report.</p>	<ul style="list-style-type: none"> • Report to be circulated to Councillors with the agenda of the meeting at which it is to be considered. • Contents of the report, and any agreed action, to be included in the minutes of the meeting at which it is considered. • Report to be displayed on the Council's website.



External Audit	
<p>The Council has opted in to the new Sector Led Body audit regime which took effect from 2017.</p> <p>The Council's external audit arrangements therefore meet the standards required under The Local Audit (Smaller Authorities) Regulations 2015.</p>	<p>There will be no changes to the Council's External Audit arrangements in the 2017/18 financial year.</p>
<p>The Council's accounts are approved in a timely manner, usually at the Annual Meeting of the Council, but in any event by 31st May.</p>	<p>The date of the Annual Meeting of the Council is approved in the annual schedule, usually agreed at the Council's November meeting. It is likely that the 2018 Annual Meeting of the Council will be held on Tuesday 8th May.</p>
<p>Councillors are provided with a copy of the Annual Return, completed so far as is possible, with their agenda and other papers for the Annual Meeting of the Council, thereby giving an opportunity for scrutiny to take place prior to the meeting.</p>	<p>2016/17 completed Annual Return considered at Town Council meeting on 10th October 2017.</p>
<p>The Council approves the Annual Governance Statement and Accounting Statements contained with the Annual Return.</p>	<p>This plan demonstrates how audit work will provide assurance in relation to the Council's Annual Governance Statement.</p>
<p>Members of the public are kept informed of the existence and progress of the external audit in the following ways:</p> <ul style="list-style-type: none"> • Summaries in the Council's newsletter and other communications. • Display of the standard notices advertising the public and elector's rights on the public noticeboard and the Council's website. • Publication of the accounts documents and annual return (at each stage) on the Council's website and the public noticeboards in the Town Hall and Garden of Rest. 	
<p>The External Auditor's opinion is reported, in full, at a meeting of the Council and recorded in the minutes of that meeting.</p> <p>The Council agrees any necessary action resulting from that opinion.</p>	<p>No matters arising from 2016/17 which required action in 2017/18 from either internal or external audit.</p>



Prepared by Iona Taylor, Clerk and Responsible Financial Officer to the Town Council.

Signed: I. Taylor

Dated: 12th October 2017

Approved by the Town Council at the meeting of its Finance & General Purposes Committee held on 12th December 2017.

Signed: N.Harrington **(Mayor)**

Dated: 12th December 2017



Objective	Work Required	Interim/Final
BOOKKEEPING To obtain assurance that the books of account have been kept properly throughout the year and that data input controls are adequate	Ensure that the cashbook is up to date and casts correctly	Interim
	Test the accuracy and timeliness of periodic bank account reconciliations	Interim
SOs, FRs, PAYMENT CONTROLS To obtain assurance that standing orders, financial regulations and appropriate payment controls (payments supported by invoices, expenditure is approved, VAT is correctly accounted for) are in place and are followed	Confirm that standing orders and financial regulations have been formally adopted by members	Interim
	Read and review council minutes	Interim
	Check a sample of payments to ensure that services above set limits have been competitively purchased	Interim
	Agree payments in cashbook supported by invoices, authorised and minuted	Interim
	Where VAT has been identified ensure it has been appropriately recorded and reclaimed	Interim
RISK MANAGEMENT ARRANGEMENTS To obtain assurance that risk management arrangements are adequate to manage all identified risks	Confirm whether an annual risk assessment has been carried out by Members	Interim
	Ascertain whether internal financial controls have been documented and reviewed regularly	Interim
	Ensure that insurance cover is adequate and appropriate	Interim
	Ascertain whether back-up arrangements are effective	Interim
	Assess the adequacy of separation of duties	Interim



BUDGETARY CONTROLS Verify the annual precept request is the result of a proper budgetary process , that budget progress has been regularly monitored and the Council's reserves are appropriate.	Confirm that an annual budget has been prepared to support the precept levied	Interim
	Check that actual expenditure v budget is regularly reported to Members	Interim
	Confirm that significant variances are explained	Interim
INCOME CONTROLS Obtain assurance that income controls are in place and operating effectively	Check income records to ensure that the correct price has been charged, income has been received, recorded and promptly banked	Interim
	Check that VAT is correctly accounted for	Interim
	Ascertain and evaluate security controls for cash	Interim
PETTY CASH/CLERK'S IMPREST Obtain assurance that expenditure controls are in place and operating effectively	Cash up the petty cash imprest	Interim
PAYROLL CONTROLS Obtain assurance that payroll costs are supported by employment contracts, expenditure is approved and PAYE/NIC is properly operated	Confirm that contracts of employment are in place with clear terms and conditions for all employees	Interim
ASSET CONTROLS Obtain assurance that all material assets are accounted for correctly	Ensure that the asset register is up to date	Interim
	Select a sample of assets from the asset register and verify their existence	Interim



BOOKKEEPING To obtain assurance that the books of account have been kept properly throughout the year and that data input controls are adequate	Ensure that the cashbook is up to date and casts correctly	Final
	Agree entries in the cash book to bank statements and agree all entries in the trial balance to the income and expenditure account and balance sheet as appropriate	Final
	Test the accuracy and timeliness of year end bank account reconciliations	Final
	Test the accuracy and completeness of year-end financial statements	Final

SOs, FRs, PAYMENT CONTROLS To obtain assurance that standing orders, financial regulations and appropriate payment controls (payments supported by invoices, expenditure is approved, VAT is correctly accounted for) are in place and are followed	Confirm that SOs and FRs are up to date and kept under regular review	Final
	Read and review council minutes	Final
	Check a sample of payments to ensure that services above set limits have been competitively purchased	Final
	Agree payments in cashbook supported by invoices, authorised and minuted	Final
	For loan repayments check that principal and interest paid agrees to repayment schedules	Final
	Where VAT has been identified ensure it has been appropriately recorded and reclaimed	Final



RISK MANAGEMENT ARRANGEMENTS To obtain assurance that risk management arrangements are adequate to manage all identified risks	Undertake an analytical review of income and expenditure between the years, obtain explanations for significant variances	Final
	Ensure that significant variances are explained in the minutes	Final
BUDGETARY CONTROLS Verify the annual precept request is the result of a proper budgetary process , that budget progress has been regularly monitored and the Council's reserves are appropriate	Check that actual expenditure v budget is regularly reported to Members	Final
	Confirm that significant variances are explained	Final
INCOME CONTROLS Obtain assurance that income controls are in place and operating effectively	Check income records to ensure that the correct price has been charged, income has been received, recorded and promptly banked	Final
	Check that VAT is correctly accounted for	Final
	Ascertain and evaluate security controls for cash	Final
PETTY CASH/CLERK'S IMPREST	Review petty cash records to ensure payments are supported by receipts	Final
Obtain assurance that expenditure controls are in place and operating effectively	Ensure VAT is correctly accounted for and supported by invoices	Final
	Ensure that expenditure is reported to each full meeting	Final
	Ensure that petty cash is reimbursed regularly	Final



PAYROLL CONTROLS Obtain assurance that payroll costs are supported by employment contracts, expenditure is approved and PAYE/NIC is properly operated	Test that salaries paid agree with rates approved by Members	Final
	Test that other payments to employees are reasonable and approved by members	Final
	Check that PAYE/NIC is properly operated by the Council as an employer	Final
ASSET CONTROLS Obtain assurance that all material assets are accounted for correctly	All material assets owned by the Council or in the Council's care are maintained in an asset register	Final
	The asset register is up to date	Final
	Asset insurance valuations are consistent with asset register values	Final

