



AUDIT SUB-COMMITTEE

A meeting of the Audit Sub-committee will be held at the Town Hall, Cullompton on Thursday 21 February 2019 at 7pm

MEMBERSHIP

Cllrs: Jordann Barge, Lloyd Knight, Liza Oxford-Booth and Martin Smith

A G E N D A

1. **APOLOGIES:** To receive apologies for absence.
2. **CHAIRMAN:** Election of Chairman for 2018/19 civic year.
3. **DECLARATIONS OF INTERESTS:** Councillors are reminded of the requirement to declare any interest, including the type of interest, and reason for that interest, either at this stage of the meeting or as soon as they become aware of that interest.
4. **MINUTES:** To approve the Minutes of the previous meeting held on 23 March 2018 (Appendix A).
5. **TERMS OF REFERENCE:** To review (included in the Minutes of the 23 March 2018 meeting).
6. **BUSINESS RISK MANAGEMENT PLAN** (Appendix B)
 - (a) Internal review checklist: to review (Appendix C)
 - (b) To review the recommendations of the internal auditor (Appendix D)
 - (c) Financial risk review
 - (d) Internal Financial controls review
7. **Statement of Internal Control 2018/19:** To review (Appendix E).
8. **Any other matters relevant to the work of the Sub-committee that the Town Clerk or Sub-committee member would like to bring to the attention of the Sub-committee.**
9. **Date and time of next meeting.**

In accordance with the Public Bodies (Admission to Meetings) Act 1960, members of the public and press are very welcome to attend the meeting.



**Minutes of a meeting of the Audit Sub-committee
held on
Friday 23 March 2018 at 10am at Cullompton Town Hall**

PRESENT: Cllrs: James Buczkowski (in the chair), Iain Emmett, Lloyd Knight and Mike Thompson.

Judy Morris: Clerk

- 1. Apologies:** None
- 2. Election of Chairman:** Cllr James Buczkowski was appointed Chairman for the 2018/18 civic year. Proposed Cllr Iain Emmett, seconded Cllr Lloyd Knight
- 3. Minutes:** The Minutes of the previous meeting held on 3 April 2017 were approved as a correct record. Proposed Cllr Iain Emmett, seconded Cllr Mike Thompson.
- 4. Terms of reference:**

RECOMMENDATION: That the Sub-committee's terms of reference remain as follows:

1. Risk Assessment

The Audit-Sub-Committee's terms of reference will be reviewed annually to ensure that they are fit for purpose and up to date: thereby clarifying the role of the Audit Sub-Committee and ensuring that the Council has robust internal control arrangements in place.

2. Membership

The Sub-Committee will comprise a maximum of five Town Council members. The Council's Responsible Finance Officer (currently the Town Clerk) will normally attend every meeting. Other Officers or agencies will be invited to attend as and when required.

3. Meetings

The Sub-Committee will meet at least once a year. The Chairman of the Audit-Sub-Committee may convene further meetings if he/she deems necessary.

4. Core Functions

- (i)** To review the effectiveness of the Council's system of internal audit at least once a year as per checklist at Appendix A.

- (ii) To monitor the effective development and operation of risk management in the Council.
- (iii) To consider the effectiveness of internal controls and monitor the implementation of any agreed actions.
- (iv) To review proposals made in relation to the appointment of external provider of internal audit services and to make recommendations.
- (v) To review External Audit arrangements and make recommendations.

5. Powers of the Audit Sub-Committee

The Sub-Committee will report to the Policy, Finance and Personnel Committee and will have no delegated powers.

5. Internal Audit: To consider appointment of internal auditor for 2018/19.

RESOLVED: That, as the Council has been using the same internal auditor for the past five years, that other internal auditors are invited to tender for the 2018/19 internal audit work. Contract to be reviewed annually. Proposed Cllr Mike Thompson, seconded Cllr Iain Emmett.

6. Internal Audit Review checklist: To review: Check list was reviewed and noted.

7. Business Risk Management Plan: To review and update: The Business Risk Management Plan was reviewed and amendments made as follows:

- Review the way in which online payments are made, is it possible to reduce the risk by having a second signatory to approve the payments before they are made. Investigate for further discussion at the next meeting.
- Can a petty cash ledger report be prepared for the PFP Committee meeting. Clerk to investigate.
- Discussion about ways to ensure that maintenance contracts are renewed promptly.
- Acknowledge that there are some short comings in the Health & Safety procedures but that the Council are working to correct them. Health & Safety policy currently being reviewed by the Council's Policy Review Working Group.

8. Statement of Internal Control 2017.18: To review

RESOLVED: That the draft statement of Internal Control is put to the full council for approval.

9. Any other matters relevant to the work of the Sub-committee that the Town Clerk or Sub-Committee member would like to bring to the attention of the Sub-committee. None

10. Date and time of next meeting. To be advised.

The meeting closed at 11.30am

Signed: _____

Date: _____

APPENDIX B

CULLOMPTON TOWN COUNCIL

ANNUAL BUSINESS RISK ASSESSMENT 2018/19

PREPARED BY THE RESPONSIBLE FINANCIAL OFFICER

Reviewed by the Audit Sub-Committee February 2019

CULLOMPTON TOWN COUNCIL - FINANCIAL RISK

TOPIC	RISK IDENTIFIED	Likelihood	Severity	Management of Risk	COMMENT March 2018
Financial					
Invoices paid by cheque	Incorrect amounts shown on cheque, made payable to wrong party or blank cheque. Cheque book lost.	L	M	Two signatures required on cheque, both of whom check the invoice against cheque and initial cheque stub and invoice if correct. Cheque books kept in locked cabinet.	Maintain existing procedures
Payments	Payments made late or not made resulting in the council being possibly subjected to penalty charges	L	M	The accounting software systems highlight ageing of invoices. List is checked on a weekly basis	Maintain existing procedures
Payroll and invoices paid by Internet banking	Incorrect amount paid or payment made to the wrong account.	L	M	Payment information entered on-line by one person, usually the Town Clerk and then checked by an approved signatory to the account. Details of all payments, including sorting code number and account number of the payee, are printed out and checked by two signatories. The payment details are kept with the paid invoices.	Review the way in which payments are made, online banking procedure amended – Clerk enters the payments on-line and these are now checked and approved by two authorised signatories before

					being paid.
VAT	Incorrect amount accounted for or returns not submitted on-time	L	M	Financial software used, regular internal audits by members of the Council. Finance Officer prepares the VAT returns which are checked by the Town Clerk before sending.	Maintain existing procedures
Salaries	Incorrect payments to staff (rates, NI, tax)	M	M	Wages software used. Timesheets checked by two members of staff. Internal audit checks of salary rates, pensions etc.	Maintain existing procedures
Budgets	Insufficient funds are available to meet financial demands	L	H	Each Committee is responsible for ensuring its own financial control. Policy, Finance and Personnel Committee is updated on financial position of all budgets by RFO on a regular basis. Relevant committees are also provided with regular up-to-date accounts.	Maintain existing procedures
Internal Control	Financial Regulations are not being adhered to leading to a possible breakdown in the financial control of the Council	L	H	Financial documents are prepared on a monthly basis including a bank reconciliation of all council financial assets. Documents are checked by members of the Policy, Finance and Personnel committee	Financial Regulations last updated August 2017
Tenders	Best value not achieved	L	M	Financial regulations detail procedures to be followed.	Financial Regulations reviewed and updated to ensure that they are

					compliant with recent changes in EU legislation
Bank Reconciliation	Financial Report does not reconcile with bank statement	L	L	Financial documents are prepared on a monthly basis including a bank reconciliation of financial assets . Two Councillors, who are not account signatories, check the bank reconciliation.	Maintain existing procedures
PAYE/ NI	Late or non payments resulting in possible interest charges being imposed	L	L	RFO makes quarterly check to ensure that payments have been made.	Maintain existing procedures
Council control over payments	Council loses control over authorisation of payments	L	H	Authority for payment is made in line with the Financial Regulations laid down by Council.	Maintain existing procedures
Petty Cash	Control of petty cash is not maintained	L	M	Use of petty cash is kept to a minimum. Accounting for petty cash is included in the Council's accounting system.	Maintain existing procedures but find out if it is possible to prepare a petty cash ledger report for PFP Committee.
Unauthorised expenditure	Councillor or member of staff commits council to an expenditure not authorised by council or RFO	L	H	All payments must be authorised by council, committee or an officer under conditions laid down in the Council's financial regulations. No individual councillor has authority to commit or authorised expenditure of the council's funds.	Maintain existing procedures

Lost financial data	Financial data is lost due to software or hardware failure	M	H	System is backed up onto a remote server.	Maintain existing procedures
Insurance	Failure to renew insurance or keep cover up to date	M	H	Policy, Finance & Personnel Committee checks policy at least annually to ensure payments have been made and adequate cover is maintained	Maintain existing procedures
Maintenance contracts	Failure to renew maintenance contracts on the due date	L	L	Shared calendar (Town Clerk/Assistant Town Clerk/Admin Assistant) to ensure that contracts are renewed on the due date.	Maintain existing procedures
Receipts	Services provided by the Council not paid for	L	M	Bookings diary checked monthly and invoices issued. Early hastening action taken if required	Maintain existing procedures
Health and Safety					
Risk Assessment	Failure to carry out suitable and sufficient risk assessments and ensure that corrective actions are dealt with within agreed time frames	L	H	Regular review of risk assessments undertaken by Town Clerk and dealt with by Policy, Finance and Personnel Committee. Mid Devon District Council provide help and advice. Staff have undertaken risk assessment training	Keep up-to-date with Risk Assessment training Acknowledge that there are some shortcomings in the Council's Health & Safety procedures but the Council is working to correct them.

Electrical Equipment	Electrical equipment not in correct working order	M	H	All electrical equipment is tested by a qualified electrician on an annual basis	Maintain existing procedures
Fire Procedures	Failure to maintain fire regulations and procedures resulting in possible injury or death to persons, or damage to property	M	H	Routine checks to ensure compliance. In the case of hirers, they are provided with detailed instructions and checks are made to ensure compliance	Maintain existing procedures
First Aid	Lack of provision of basic first aid equipment and qualified First Aiders	L	H	Adequate first aid equipment is provided and checked on a regular basis. 4 members of staff have received First Aid at Work training.	Maintain existing procedures
Site Visits	Danger of councillors or officers being injured whilst visiting site	M	H	Briefing given if required. H/V clothing worn if required. Other PPE equipment like hard hats, ear protection or boots provided if risk assessment requires it.	Maintain existing procedures
Display Screen Equipment	Possible claim by staff due to poor work station ergonomics	M	H	Individual risk assessment of work station area with adequate training or instruction provided as necessary, in line with Display Screen Equipment Regulations	Maintain existing procedures
Personal Safety	Danger when member of staff is working alone or visiting a site. This could also apply to a councillor	H	H	Adequate security measures should be in place when staff are lone working. Meetings on site with members of the public who are not known should be avoided whenever	Please see the Council's Lone Worker and Home Working policy

				possible. Suggested that two people should go on visit whenever possible. Where not possible the person making visit should inform someone where they are going and how long they are likely to be. That person should carry a mobile phone.	
Legal					
Liabile claim from correspondence	As a result of correspondence a member of the public makes a claim for damages against the council	L	H	Letters should normally be written by officers who are insured against such issues	Maintain existing procedures
Council acts in an Ultra Vires way	Council makes an unlawful decision or one which they had no power to do so	L	H	Standing Orders adopted and reviewed regularly. Town Clerk to ensure, as far as possible, that legislation permits action. Where there is doubt no action is to be taken until professional advice is provided in writing	Standing Orders reviewed May 2017
Contracts and Best Value Principles	Council fails to follow procedures contained in Financial Regulations or within the principles laid			Prior to any negotiations taking place that involves new, or the renewal of contracts, the Financial Regulations appertaining to	Maintain existing procedures

	down for Best Value	L	M	<p>contracts should be read and guidance followed.</p> <p>The council should, as far as possible, follow the principles of best value in all its purchases. In doing this it is understood that there will be certain specialist services where the full principles of best value cannot be adhered to. Such instances should be noted in the minutes with the reasons clearly given.</p>	
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INTERNAL AUDIT REVIEW CHECKLIST

EXPECTED STANDARD	EVIDENCE OF ACHIEVEMENT	YES/NO	AREAS FOR DEVELOPMENT
1. MEETING STANDARDS			
Scope of Internal Audit	<ul style="list-style-type: none"> • Terms of reference for internal audit were approved by full council on 26 April 2018 • Internal audit work takes into account both the council’s risk assessment and wider internal control arrangements. • Internal audit work covers the council’s anti-fraud and corruption arrangements. 	<p>Yes</p> <p>Yes</p> <p>Yes</p>	
Independence	<ul style="list-style-type: none"> • Internal auditor has direct access to Town Clerk and Committees responsible for governance (Finance, Policy & Personnel Committee). • Reports are made to the Council in the name of the internal auditor. • Internal auditor does not have any other role within the Council. 	<p>Yes</p> <p>Yes</p> <p>Yes</p>	

APPENDIX C

Competence	There is no evidence of a failure to carry out internal audit work ethically, with integrity and objectivity	Yes	
Relationships	The Clerk or Responsible Finance Officer is consulted on the		
	internal audit plan. The responsibilities of council members are understood; training of members is carried out as necessary. (See Council Training Strategy)	Yes Yes	Training budget to be reviewed, members to be encouraged to attend training as and when required
Audit Planning and Reporting	The business risk assessment properly takes account of all the risks facing the Council and has been approved by the Council on 26 April 2018	Yes	
2. CHARACTERISTICS OF EFFECTIVENESS			
Internal audit work is planned	Planned internal audit work is based on risk assessment and designed to meet the Council's needs.	Yes	
Understanding the whole organisation and its needs and objectives	The annual audit plan demonstrates how audit work will provide assurance for the Council's Annual Governance Statement	Yes	
Be seen as a catalyst for change	Internal audit supports the council's work in delivering improved services to the community.	Yes	
Add value and assist the organisation in achieving its objectives	The Council makes positive responses to internal audit's recommendations and follows up with action where this is called for.	Yes	

APPENDIX C

<p>Be challenging</p>	<ul style="list-style-type: none"> • Internal audit focuses on the risks facing the council. • Internal audit encourages managers/members to develop their own responses to risks, rather than relying solely on audit recommendations. 	<p>Yes Yes</p>	
<p>Ensure the right resources are available</p>	<ul style="list-style-type: none"> • Adequate resource is made available for internal audit to complete its work. • Internal audit understands the Council and the legal and corporate framework in which it operates 	<p>Yes Yes</p>	

APPENDIX D

CULLOMPTON TOWN COUNCIL

Report to: Town Council

Re: Recommendations of Policy, Finance and Personnel Committee relating to internal audit report

Date: 17 January 2019

Internal Audit: To receive report and agree any actions required: The report was noted. Clerk to action the recommendations as follows:

- (a) All bank reconciliation and supporting bank statements must be subject to independent review and signed as evidence.

Financial Regulations state as follows “ *On a regular basis, at least once in each quarter, and at each financial year end a member other than the Chairman or a cheque signatory shall be appointed to verify the bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the council*”.

- It was noted that a meeting of the Policy Review Working Group held in July 2017 It had been recommended that to “*Set up a rota for members to verify the bank reconciliation (two Councillors each time)*” Clerk reported that it was proving to be extremely difficult to find two Councillors available to attend the Council office to verify the bank reconciliation and it was

RECOMMENDATION: That a rota is drawn up of Councillors that are not signatories to the Council’s bank account and are willing to perform this task to call into the office to verify the bank reconciliations for all the Council’s bank accounts.

- (b) The Council should maintain a receipt book for cash income. A receipt should be issued for all cash income.

RECOMMENDATION: That the Finance Officer is given a receipt book to record any cash income for which a receipt has not already been issued.

- (c) The Council must ensure a review of risk is undertaken prior to the end of the 2018-19 Financial Year in order to comply with the requirements of the Annual Governance Statement.

RECOMMENDATION: That the Audit Sub-Committee meets before the end of the 2018-19 Financial Year to carry out a review of financial risk.

(d) All payments, including those made by Direct Debit, should be reviewed and authorised.

RECOMMENDATION: That the Finance Officer, in liaison with the Responsible Finance Officer, compiles a list of all the Council's direct debit payments for authorisation by the PFP Committee.

NOTES:

1. The Council's Financial Regulations state as follows "If thought appropriate by the Council, payment for utility supplies (energy, telephone, and water), and any National Non-Domestic Rates may be made by variable direct debit provided that the instructions are signed by two members and any payments are reported to council as made. The approval of the use of variable direct debit shall be renewed by resolution of the Council at least every two years.
2. Direct Debits payments are included in the list of payments reported to the Council each month and therefore they are reported to the council as made. However there is no resolution of the Council about the use of variable direct debits.

RECOMMENDATION: That the Council resolves to approve the use of variable direct debits for payments such as utility supplies and Business Rates.

(e) A printout of the payments approval for online payments is taken and kept on file for audit purposes.

RECOMMENDATION: That, in future, a printout of the payments approval for online payments is taken and kept on file for audit purposes.

(f) The internal financial controls should be reviewed and formally adopted in the current financial year.

RECOMMENDATION: That the Audit Sub-Committee meets before the end of the 2018-19 Financial Year to carry out a review of financial controls and make recommendations to full council.

(g) That the Council should ensure that all outstanding creditor balances are regularly reviewed and cleared.

RECOMMENDATION: That, in future, all outstanding creditor balances are reported, at least quarterly, to the Policy, Finance and Personnel Committee.

(h) Under the new arrangements when the Finance Officer prepares the payroll. The payroll summary should be signed as approved by the Town Clerk

RECOMMENDATION: That when the Finance Officer prepares the payroll, the payroll summary will be signed as approved by the Town Clerk.

(i) The Council to review the Financial Regulations prior to the end of the Financial Year.



CULLOMPTON TOWN COUNCIL

STATEMENT OF INTERNAL CONTROL FOR THE YEAR ENDING 31ST MARCH 2019

1. SCOPE OF RESPONSIBILITY

Cullompton Town Council 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; and
- 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.

2. 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, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at the Council for the financial year ended 31st March 2018 and up to the date of approval of the annual report and accounts and, except for the details of significant internal control issues at section 5, accords with proper practice.

3. THE INTERNAL CONTROL ENVIRONMENT

(i) The Council

- Has appointed a Town Mayor who is responsible for the smooth running of meetings and for ensuring that all Council decisions are lawful.
- The Council reviews its obligations and objectives and approves budgets for the following financial year. The Council approves the level of precept for the following financial year, usually at its meeting in January.

- The Council has appointed an Audit Sub-committee carry out an annual review of the Council's internal audit processes and procedures and its business risk management plan.

(ii) The Policy, Finance and Personnel Committee

The Committee meets at least 8 times per year and:

- Monitors progress against the Council's objectives, financial systems and procedures and budgetary control.
- Carries out regular reviews of financial matters.

(iii) Town Clerk /Responsible Finance Officer

The Council has appointed a Town Clerk who acts as the Council's advisor and administrator. The Town Clerk is the Council's Responsible Finance Officer and is responsible for administering the Council's finances. The Town Clerk is responsible for the day-to-day compliance with laws and regulations that the Council is subject to and for managing risks. The Town Clerk also ensures that the Council's procedures, control systems and policies are adhered to.

(iv) Payments

Some payments are made by cheque and some by electronic bank transfer.

Cheques are completed by the Finance Officer and signed by two members of the Council who also initial the relevant invoice and cheque stub. All payments are reported to the Council for approval and minuted. Electronic payments are put onto the system by the Town Clerk and checked by two members of the Council before payment is authorised.

(v) Risk Assessments/Risk Management

The Council carries out regular risk assessments in respect of actions and regularly reviews its systems and controls.

(vi) External Audit

The Council's External Auditors, submit an annual Certificate of Audit which is presented to the Council.

4. REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting an annual review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of:

- The Full Council.
- The Policy, Finance and Personnel Committee which oversees the day-to-day financial management of the Council in accordance with relevant government policy and current guidelines and reports and makes recommendations to the Council.

- The Audit Sub-Committee which has responsibility for the development and maintenance of the internal control environment and managing risk.
- The independent Internal Auditor who reviews the Council's system of internal control.
- The Council's external auditors, who make the final check using the Annual Return, a form completed by and signed by the Town Mayor, the Town Clerk and the Internal Auditor. The external auditor issues an annual audit certificate.
- The number of significant issues that are raised during the year.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

No significant internal control issues were identified during the 2018/19 financial year.

Whilst no significant internal control issues were identified during the year, the Council strives for the continuous improvement of the system it has adopted for the internal control and is in the process of addressing all the minor issues and weaknesses raised and reported during the review process.

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Town Mayor

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Town Clerk, Judy Morris

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Date

