

SYSTEM OF INTERNAL CONTROL

I provided an internal audit service for Ashington Town Council for the financial year ended 31 March 2021 and, acting independently; I examined the system of internal control by undertaking the following tests and reported my findings to the Council.

		Test Done Yes or No
1	Checking that books of account have been properly kept throughout the year	Yes
2	Checking payments (100%) to ensure that the Council's financial regulations have been met, invoices support payments, expenditure is approved and VAT is correctly accounted for	Yes
3	Reviewing the Council's risk assessment and ensuring that adequate arrangements are in place to manage all identified risks.	Yes
4	Verifying that the annual precept request is the result of a proper budgetary process; that the budget process has been regularly monitored and that the Council's reserves are adequate	Yes
5	Checking income records (100%) to ensure that correct prices have been charged, income received, recorded and promptly banked and VAT is properly accounted for.	Yes
6	Reviewing petty cash records to ensure receipts support payments, expenditure is approved and VAT is correctly accounted for. No petty cash imprest held	N/A
7	Checking that salaries to employees have been paid out in accordance with Council approvals and that PAYE and NI requirements have been properly applied.	Yes
8	Checking the accuracy of the assets and investment records	Yes
9	Testing the accuracy and timeliness of periodic and year-end bank account reconciliations.	Yes
10	Year-end testing on the completeness and accuracy of the financial statements	Yes

On the basis of my examination, which is limited to the tests indicated above, it is my view that the Council's system of internal controls is in place, adequate for the purpose intended, and effective, and, where appropriate, I have made recommendations to the Council.



Internal Auditor

Date: 22 June 2021

ASHINGTON TOWN COUNCIL

FINANCIAL YEAR 2020/2021

INTERNAL AUDIT CONTROLS AND TESTS

Internal controls	Audit Tests	Yes/No
Proper bookkeeping	<ul style="list-style-type: none"> • Is the cashbook maintained and up to date? • Is the cashbook arithmetic correct? • Is the cashbook regularly balanced? 	<p>Yes</p> <p>Yes</p> <p>Yes</p>
<p>A] Standing Orders and Financial Regulations and</p> <p>B] Payment Controls</p>	<ul style="list-style-type: none"> • Has the Council formally adopted Standing Orders? • Has the Council formally adopted Financial Regulations? • Has a Responsible Financial Officer been appointed with specified duties? • Have items or services above a de minimis amount been competitively purchased? • Are payments in the cash book supported by invoices, authorised and minuted? • Has VAT on payments (including petty cash payments) been identified, recorded and reclaimed? • Is Section 137 expenditure (Free Resource) separately recorded and within statutory limits? 	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>
Risk Management arrangements	<p>Does a scan of the minutes identify any unusual financial activity?</p> <p>Do the minutes record the Council carrying out an annual risk assessment?</p> <p>Is the insurance cover appropriate and adequate?</p> <p>Are internal financial controls documented and regularly reviewed?</p>	<p>No</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>
Budgetary Controls	<p>Has the Council prepared an annual budget in support of its precept?</p> <p>Is actual expenditure against the budget regularly reported to the Council?</p> <p>Are there any significant unexplained variances from the budget?</p>	<p>Yes</p> <p>Yes</p> <p>No</p>
Income Controls	<p>Is the income properly recorded and promptly banked?</p> <p>Does the precept recorded in the cashbook agree to the County Council's notification?</p> <p>Are security controls over cash adequate and effective?</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p>

Petty Cash procedures	Is all petty cash spent recorded and supported by VAT invoices/receipts? Is petty cash expenditure reported to each Council meeting? Is petty cash reimbursement carried out regularly?	No petty cash imprest held
Payroll Controls	Do salaries paid agree with those approved by the Council? Are other payments to the Clerk (and other employees) reasonable and approved by the Council? Has PAYE/NIC been properly operated by the Council as an employer? NB Northumberland County Council acts as payroll agent	Yes Yes Yes
Asset Controls	Does the Council keep an asset register of all material assets?	Yes
Bank Reconciliation	Is there a bank reconciliation for each account? Is bank reconciliation carried out regularly on receipt of statements? Are there any unexplained balancing entries in any reconciliation?	Yes Yes No
Year-end Procedures	Are year-end accounts prepared on the correct accounting basis (receipts and payments / income and expenditure)? Do accounts agree with the cash book? Is there an audit trail underlying financial records to the accounts? Where appropriate, have debtors and creditors been properly recorded?	Yes Yes Yes Yes

Peter Barnett

Internal Auditor

Date: *22 June 2021*