

Procedures for Financial Control & Internal Audit

It is the Responsible Financial Officer's (RFO's) responsibility to ensure that the Council's day to day finances are run properly but it falls to Council members to exercise a proper and reasonable degree of control over financial matters.

This can be achieved by ensuring that:

1. All anticipated income is received
2. Expenditure is broadly in line with budgets
3. Expenses are properly authorised before payment is made
4. The record of receipts and payments is kept up to date
5. A bank reconciliation is carried out at regular intervals
6. Any anomalies are resolved with the Clerk/RFO and a report presented at the next Council meeting
7. Financial Regulations, and Financial & Management Risk Assessments are maintained, monitored and reviewed as necessary
8. In addition to the above there is a further legal requirement for the Council to put in place an adequate and effective system of internal audit of its accounting and internal control systems. This is achieved through the appointment of an independent internal auditor (IA) who must be both competent and conversant with the regime of local government finance. The Council currently meets its obligations in this respect by using the Internal Audit Service of Northamptonshire County Association of Local Councils (NCALC). The IA checks, by sampling that the internal controls are adequate and working. The IA visits at least once a year (more frequently if the Council requests) and the Audit report forms part of Annual Return.
9. In accordance with the Council's Standing Orders an annual formal review of the systems of Internal Control and the effectiveness of Internal Audit is carried out. This is conducted in accordance with laid down guidance, by means of an approved form of self-administered assessment. The review, including the outcomes is set out on the following page.

LWTA PC Internal Control	Suggested testing	Result
Proper book-keeping	Is the cashbook maintained and up to date?	
	Is the cashbook arithmetic correct?	
	Is the cashbook regularly balanced?	
Standing Orders and Financial Regulations adopted and applied	Has the Council formally adopted Standing Orders and Financial Regulations?	
	Has a Responsible Finance Officer been appointed with specific duties?	
Payments controls	Have items or service 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 s137 expenditure separately recorded and within statutory limits?	
Risk management arrangements	Would 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?	
Budgetary Controls	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?	
Income Controls	Is income properly recorded and promptly banked?	
	Does the precept recorded agree to the Council Tax authority's notification?	
	Are security controls over cash and near-cash adequate and effective?	
Payroll Controls	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 approved by the Council?	
	Have PAYE/NIC been properly operated by the Council as an employer?	
Assets Control	Does the Council maintain a register of all material assets owned or in its care?	
	Are the Assets and Investments Register up to date?	
	Do asset insurance valuations agree with those in the asset register?	
Bank Reconciliation	Is there a bank reconciliation for each account?	
	Is 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?	
Year-end Procedures	Are year-end accounts prepared on the correct accounting basis (Receipts (Payments or Income & Expenditure)?	
	Do accounts agree with the cashbook?	
	Is there an audit trail from underlying financial records to the accounts?	