

**Prudhoe Town Council
Review Effectiveness of Internal Controls**

FINANCIAL YEAR

(insert)

Cllr _____

Cllr _____

The Town Council is required to make arrangements for the proper administration of its financial affairs and to ensure that one officer is responsible for the administration of those affairs.

This requirement is detailed in the Local Government Act 1972 (s.151). At Prudhoe Town Council, the Clerk holds the post of “responsible financial officer”.

The Town Council is responsible for ensuring that its financial management is both adequate and effective. This process of management includes a sound system of internal control that includes arrangements for the management of risk.

The Town Council conducts an annual review of the effectiveness of internal control and this document is available for public scrutiny.

The Town Council maintains accounts and supporting records in accordance with the appropriate legislation and national guidelines. These accounts are available for public scrutiny.

Under the regulations, all local councils must at least once a year conduct in accordance with proper practices a review of the effectiveness of their system of internal control and publicly report the outcome.

The Annual Governance Statement in Section 1 of the annual return provides the means for local councils to report to local taxpayers on their system of internal control.

Summary Report

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Proper bookkeeping	Date Checked	Evidence and/or action	√
Is the cashbook up to date and maintained accurately?			
Is the cashbook regularly balanced?			
Are cheque stubs completed?			
Are BACS payments recorded adequately?			
Is money moved between accounts accordingly?			
Standing orders and financial regulations	Date Checked	Evidence and/or Action	√
Has the council formally adopted standing orders and financial regulations?			
Has a Responsible Financial Officer been appointed with specific duties?			
Have works, goods or services above the de minimus amount been competitively purchased?			
Are works, goods or services over £250 supported by a purchase order?			
Do invoices for payments over £1,000 include a minute reference showing agreed spending?			
Do the 'schedule of payments' match the payments made and with the correct legal authority?			
Are payments in the cashbook supported by invoices?			
Are invoices approved for payment by the clerk before being processed for payment?			

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Standing orders and financial regulations	Date Checked	Evidence and/or Action	√
Are invoices passed to the RFO by the clerk and processed in a timely manner?			
Is there evidence that 2 Councillors with signing authority are involved in every transaction to a third party?			
Has VAT on payments been identified, recorded and reclaimed?			
Is s137 expenditure separately recorded and within statutory limits?			
Internal Control/Risk Management	Date Checked	Evidence and/or Action	√
Does a review of the minutes identify any unusual financial activity?			
Do minutes record the council carrying out an annual risk assessment?			
Are there examples where the risk assessment has been reviewed and updated throughout the year?			
Is insurance cover appropriate and adequate?			
Are internal financial controls documented and regularly reviewed?			
Budget	Date Checked	Evidence and/or Action	√
Has the council prepared an annual budget in support of its precept?			
Is actual expenditure against the budget regularly reported to the council?			
How does the council review Budget Spending?			

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Budget (continued)	Date Checked	Evidence and/or Action	√
What action does the council take if a particular budget heading is likely to overspend?			
What action does the council take if a particular budget heading is below spending expectations?			
Are there any significant unexplained variances from budget?			
Is income properly recorded and promptly banked?			
Are charges by the council for rent or fees reviewed regularly?			
Does the precept recorded agree to the Council Tax authority's notification?			
Are security controls over cash and near-cash adequate and effective?			
Petty Cash/TVLS	Date Checked	Evidence and/or Action	√
Is 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?			
Is TVLS refund cash recorded/reimbursed and held adequately and securely?			
How often is TVLS cash reconciled?			

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Payroll/Pension Controls	Date Checked	Evidence and/or Action	√
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?			
Have Pension contributions been accurately collected and paid by the council?			
Are staff files updated and held securely?			
Assets Controls	Date Checked	Evidence and/or Action	√
Does the council maintain an up to date register of all material assets owned or in its care?			
Do asset insurance valuations agree with those in the asset register?			
Are land and building assets published on the town council website?			
Are building and land assets inspected each year?			
Where rent is due on land or buildings, is this regularly reviewed?			

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Bank Reconciliation	Date Checked	Evidence and/or Action	√
Is there a regular bank reconciliation for each account?			
Are there any unexplained balancing entries in any reconciliation?			
Is the value of investments held summarised on the reconciliation?			
Year-end procedures	Date Checked	Evidence and/or Action	√
Are year-end accounts prepared on the correct accounting basis (Receipts and Payments or Income and Expenditure)?			
Do accounts agree with the cashbook?			
Is there an audit trail from underlying financial records to the accounts?			
Where appropriate, have debtors and creditors been properly recorded?			
Audit	Date Checked	Evidence and/or Action	√
Has an internal audit been carried out?			
Has the internal audit report been received by the council?			
Has recommended action been taken with respect to the internal audit?			
When were end-of-year accounts available for inspection?			

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Transparency	Date Checked	Evidence and/or Action	√
Do the council publish meeting agendas, and associated meeting papers not later than three clear days before the meeting to which they relate?			
Do the council publish meeting minutes within 30 days of meeting held?			
Do the council publish all expenditure over £100, including date, purpose and VAT?			
Do the council publish the result of internal audit, end of year accounts, governance statement and external audit report?			
Do the council publish a list of Councillors responsibilities?			
Do the council publish a list of land and building assets?			
Do the council publish a list of contractors?			