





BMB Services Ltd - Internal Audit Report



Internal Control Objective	Testing required	Response (Yes, No, N/A, Not Covered)
A. Appropriate accounting records have been properly kept throughout the year.	<p>A1. Verify that the accounting system in use (whether manual, in a spreadsheet, or a formal accounting system) is adequate. As a minimum the system in use should enable the production of the Annual Accounting Statement and regular bank reconciliations.</p> <p>A2. The council's accounting records are accurate, up to date and well maintained.</p> <p>A3. Council Minutes for the year are complete and up to date and have been initialled and signed.</p>	
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT appropriately accounted for.	<p>B1. Verify that the Council has in place a set of Financial Regulations and Standing Orders and that these have been subject to regular review. [Councils should be encouraged to adopt the latest NALC model versions of these documents]</p> <p>B2. Verify that, in the case of publicly advertised contracts with a value over £25,000, the Council has complied with the requirements of the Public Contracts Regulations.</p> <p>B3. Verify that both Standing Orders and Financial Regulations specify the same tender thresholds.</p> <p>Select a sample of payments made from the bank account(s), for example by choosing a bank statement for a particular month. The sample size selected should be sufficient to have a reasonable view of the council's practices. Where possible all transactions of an abnormally high value for the Council should also be subject to detailed review.</p> <p>B4. For all of the selected payments verify that the supporting invoices have been 'verified and certified' on receipt (for example as described in the</p>	

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	<p>NALC model financial regulation 5.3). This should be evidenced by signature or stamp.</p> <p>B5. Verify that orders for goods and services for the selected sample have been made in accordance with the requirements of the Council's Financial Regulations, for example the requirement to obtain 3 quotes (as set out in section 11 of the Model Financial Regulations).</p> <p>B6. Verify that the Council has approved the payments in the sample in accordance with the requirements of its Financial Regulations [these are set out in Section 5 of the NALC Model Financial Regulations]</p> <p>B7. Verify that the Council has in place effective controls on the making of payments. This should include the need for two signatures on cheques and the dual authorisation of online payments. <u>Arrangements that permit payments to be made on a sole authoriser/single signature basis should be subject to particular audit scrutiny and Councils should be actively discouraged from doing this.</u></p> <p>B8. Where debit / credit cards are in use, verify that these transactions have been made in accordance with the Council's Financial Regulations and that the invoices supporting these payments have been certified and payments reviewed and approved by Council.</p> <p>B9. Verify that any limits on credit cards and debit cards are reasonable and not excessive and ensure there are appropriate controls over physical security and usage of the cards are in place.</p>	
<p>C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</p>	<p>C1. Verify that the council has formally minuted a review of risk during the financial year.</p> <p>C2. Verify that the council has in place a Risk Register, or Risk Policy, which sets out the risks that the council faces and how it intends to address these and that this has been subject to formal review. (It is not a requirement for the auditor to review this in detail).</p> <p>C3. Verify that the Council has reviewed the scope and value of its insurance</p>	

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	<p>cover. In particular verify that the value of fidelity insurance is sufficient to cover the Councils cash and bank balances and that buildings are insured based on up to date valuations.</p> <p>C4. Ensure that appropriate levels of insurance cover are in place for land, buildings, public, employers' and hirers' (where applicable) liability, fidelity / employees (including councillors) liability, business interruption and cyber security</p> <p>C5. Ensure that appropriate arrangements are in place for the inspection of play areas, open spaces and sports pitches:</p>	
<p>D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.</p>	<p>D1. Verify that the Council prepared and formally approved a budget for the year prior to the setting of the precept.</p> <p>D2. Verify that the Full Council, <u>not</u> a committee, has considered, approved and adopted the annual precept, for the year subject to internal audit, prior to the statutory deadline of 1st March.</p> <p>D3. Verify that budget reports are prepared and submitted to either Full Council or the appropriate Committees periodically during the year.</p> <p>D4. Verify that the Council, or nominated committee, has properly reviewed budgetary reports and that any significant variances have been subject to detailed query/review.</p> <p>D5. Verify that the Authority has considered the establishment of specific Earmarked Reserves and that these are reviewed as part of the budget setting process.</p> <p>D6. Verify that the Council has reviewed the level of its General Reserve and that the level of the General Reserve is adequate and not excessive.</p>	
<p>E. Expected income was fully received based on correct prices, properly recorded and promptly banked; and VAT appropriately</p>	<p>E1. Verify that the precept received during the year agrees to the precept raised by the Council.</p>	

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accounted for.		
E2. Verify that the precept received during the years agrees to central government records.		
E3. Verify that any VAT due in respect of the preceding accounting year have been claimed and received during the year subject to internal audit.		
E4. Verify that a VAT claim has been prepared for the year subject to internal audit and that this agrees to supporting accounting records.		
E5. Verify that that the Council has complied with any requirement to register for VAT and that income has been correctly treated for VAT purposes		
E6. Verify that the Council has in place a formal list of fees and charges and that this has been subject to regular review.		
E7. Verify that the Council has robust procedures to monitor and collect any outstanding debts. If applicable, review any aged debtors' listing maintained by the Council and ensure that amounts overdue have been reported to Council.		
E8. Verify that the Council has in place robust controls for the collection of allotment income, for example by the use of a spreadsheet to monitor amounts due and collected.		
E9. Verify that any burial fees raised agree to an approved schedule of fees and to the records maintained in the burial register.		
E10. Hall/sports facilities hire: ensure that there is an effective diary system for bookings is in place identifying the hirer, hire times and that this cross-referenced to invoices raised.		
E11. Verify that fees charged for hirings/letting (or any other fees raised) agree to the approved schedule of fees and charges.		
E12. Leases & tenancies: ensure that these are current and reviewed in accordance with the terms of the agreement.		





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	<p>E13. Confirm that income in respect of leases or tenancies is received as due.</p> <p>E14. Where amounts are receivable on set dates during the year, ensure that an appropriate listing is maintained identifying the date(s) on which income is due and when it was actually received / banked.</p> <p>E15. Where the Council has bank balances or investments which exceed £100,000 ensure that the Council has in place an investment strategy.</p> <p>E16. Verify that the council has in place a process for the regular review of any fixed asset' investments and of its investment strategy.</p> <p>E17. Verify that the council has in place a process for the review of any interest income on its bank balance and bonds.</p>	
<p>F. Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for</p>	<p><i>A number of authorities are now running down and closing their petty cash accounts and using debit / credit cards for ad hoc purchases. Consequently, a "Not covered" response is frequently required in this area. Any cash floats held for the purposes of providing change, or cash deposits held, should be covered under Control Objective 1</i></p> <p>F1. Verify that the council has in place a formal system for the accounting for detailed petty cash expenditure, including any VAT, for example by the use of a petty cash book.</p> <p>F2. Verify that any petty cash balance held is subject to regular verification and reconciliation to the cash book and that this is subject to independent review.</p> <p>F3. Verify that transactions through the petty cash are of appropriate nature and relatively small value.</p> <p>F4. Confirm that the Council has in place a process to review and approve expenditure made through the petty cash, and for the reimbursement/replenishment of petty cash..</p>	
<p>G. Salaries to employees and</p>	<p>G1. Ensure that the Council is properly registered with HMRC as an Employer.</p>	


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allowances to members were paid in accordance with the authority's approvals, and PAYE and NI requirements were properly applied.	<p>G2. Ensure that, for all staff, a formal employment contract is in place together with a confirmatory letter setting out any changes to the contract.</p> <p>G3. Verify that, for a sample of staff salaries, gross pay due is correctly calculated in accordance with contract terms and conditions(for example at the correct national pay rate/spinal column point).</p> <p>G4. Verify that the Council has in place formal, up to date, payroll software, or is using a suitable payroll provider.</p> <p>G5. Ensure that the correct PAYE treatment has been applied to all remuneration paid (for example the payment of any lump allowances.)</p> <p>G6. Verify that the Council has not claimed the National Insurance Employers Allowance.</p> <p>G7. Verify that the council has submitted RTI returns to HMRC and made payments due as required. Confirm through the HMRC online account that there are no outstanding arrears.</p> <p>G8. Verify that the Council has submitted returns and made payments due for any pension contributions.</p> <p>G9. Where the Council pays Councillors Allowances verify that these were set in accordance with the requirements of the Members Allowances Regulations 2003.</p> <p>G10. Verify that any members allowances paid have been paid through payroll and PAYE deducted as appropriate.</p>	
H. Asset and investment registers were complete and accurate and properly maintained.	<p>H1. Verify the Council is maintaining a formal asset register and this has been updated with any additions or disposals during the year.</p> <p>H2. Verify that the basis of valuation of assets is in accordance with the</p>	

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	<p>requirements of the Practitioner's Guide (normally at cost value).</p> <p>H3. Verify that all disposals of assets have been subject to formal and approval by Council.</p> <p>H4. Verify that additions and disposals on the asset register during the year agree to the difference between the asset value stated on the current and prior year Accounting Statements.</p> <p>H5. Verify that the Council has in place a process for the regular physical verification of its assets. Physically verifying the existence and condition of high value, high risk assets by the Internal Auditor may be appropriate.</p> <p>H6. Compare the asset register with the insurance schedule to ensure that all assets as recorded are appropriately insured.</p> <p>H7. Ensure that all long-term investments (i.e., those for more than 12 month term) are covered by the "Investment Strategy" and reported, at cost, in the Accounting Statement line 9.</p> <p>H8. Verify that the Asset Register records the value of any outstanding loans made by the Council and that these loans are appropriately documented.</p>	
<p>I. Periodic bank account reconciliations were properly carried out during the year.</p>	<p>I1. Verify that bank reconciliations are prepared regularly, for all Council bank accounts.</p> <p>I2. Verify that bank reconciliations are subject to independent review by members and that they are signed and dated as evidence of this review.</p> <p>I3. Verify that the bank statements are periodically independently verified to the balances stated in bank reconciliations.</p> <p>I4. Verify the accuracy of the year-end bank reconciliation and agree it to supporting bank statements.</p> <p>I5. Review and clarify the nature of any uncleared transactions.</p>	

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	<p>16. Verify that the Council has in place robust procedures for the physical verification of any cash floats or deposits held and that any balances held as at the 31st March have been subject to independent review and confirmation.</p>	
<p>J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cashbook, supported by an adequate audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded.</p>	<p><i>Note: this checklist is intended for use only by internal auditors of councils who prepare their accounts on a Receipts and Payments basis, consequently there is no guidance given here in respect of testing of debtors, creditors and accruals. Detailed guidance on the Accounting Statements can be found in Section 2 of The Practitioner's Guide and Internal Auditors should refer to that for specific guidance.</i></p> <p>J1. Review the computations for the Accounting Statements prepared by the RFO to verify that they are accurate and agree to the Councils cashbook.</p> <p>J2. Verify that Line 2 agrees to the value of precept raised and received</p> <p>J3. Verify that the total of Lines 2 and 3 agree to the total value of receipts recorded in the cashbook.</p> <p>J4. Verify that the value stated in Line 4 includes only "gross salary of employees, employer's national insurance contributions, employers pension contributions, gratuities for employees or former employees and severance or termination payments to employees," as set out in the Practitioner's Guide.</p> <p>J5. Verify that the total of Lines 4, 5 and 6 agree to the total value of payments in the cashbook.</p> <p>J6. Verify that the value stated in Line 8 agrees to the year end bank reconciliation and supporting bank statements.</p> <p>J7. Verify that the value stated in Line 9 agrees to the total value of the asset register.</p> <p>J8. Verify that the balance stated in Line 10 agrees to the value stated in the year end PwLB/DMO audit confirmation (this is normally supplied by email to the Clerk and additional copies can be obtained on request).</p>	

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K. If the authority certified itself as exempt from a limited assurance review in the prior year, it met the exemption criteria and correctly declared itself exempt.	<p>K1. Verify that the Council meets the criteria as set out in Form 2 of the Annual Governance and Accountability Return. This currently requires that income and expenditure do not exceed £25,000.</p> <p>K2. Verify that the Council properly recorded its approval of the Certificate of Exemption in a properly convened meeting of the Council (as recorded in the Minutes of the meeting).</p> <p>K3. Verify that the Exemption Certificate was prepared and approved in accordance with the statutory submission deadline of 30th June.</p> <p>K4. That it has been published, together with all required information, on the Authority's website and noticeboard.</p>	N/A
L. The authority publishes information on a free to access website / web page, up to date at the time of the internal audit in accordance with any relevant transparency code requirements	<p>The requirement here is for Councils with income or expenditure below £25,000 to publish information as set out in The Transparency Code for Smaller Authorities</p> <p>L1. Verify that the Council has published, for the prior financial year, all the information as required by the Transparency Code as set out in Annex A of the code.</p> <ul style="list-style-type: none"> ○ All items of expenditure above £100 ✓ ○ End of year accounts ✓ ○ Annual governance statement ✓ ○ Internal audit report ✓ ○ List of councillor or member responsibilities ○ Location of public land and building assets ✓ ○ Minutes, agendas and papers of formal meetings ✓ 	✓
M. The authority, during the previous year, correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations.	<p>M1. Verify that the Council published, including on its website, the Notice for the Period for the Exercise of Public Rights</p> <p>M2. Verify that the 'Announcement Date' was a date after the Council approved</p>	✓

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	<p>the Annual Governance Statement and Accounting Statement.</p> <p>M3. Verify that the 'Announcement Date' was the working day prior to the Commencement Date (they cannot be the same date)</p> <p>M4. Verify that the period set was for exactly 30 working days.</p> <p>M5. Verify that the period set included the first 10 working days in July</p> <p>M6. The Internal Auditor should also review whether the Council confirmed in Minutes the dates set (this is not a statutory requirement but it is accepted as audit evidence that the Council complied with the publication requirements)</p>	<p>✓</p> <p>✓</p> <p>✓</p>
N. The authority complied with the publication requirements for the prior year AGAR.	<p>N1. Verify that the Council published the Annual Governance Statement on it's website</p> <p>N2. Verify that the Council published the Accounting Statements on it's website</p> <p>N3. Verify that the Council published the External Auditor report on it's website</p> <p>N4. Verify that the Council published the Notice of Conclusion of Audit on its website.</p>	<p>✓</p>
O. Trust funds (including charitable) - the Council met its responsibilities as a trustee	<p>O1. Verify that the Council has properly registered any Charity, for which it is Sole Trustee with the Charities Commission</p> <p>O2. That the Council has properly recorded the Council, as a body, as the Trustee, and not individual Councillors</p> <p>O3. That the Council has submitted the required returns to the Charities Commission</p> <p>O4. That funds, and income and expenditure of the charity, are not held in, or transacted through, bank accounts of the Council.</p> <p>O5. Verify that assets of the Charity are not recorded as assets of the Council.</p>	<p>✓</p>

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	O6. Verify that meetings of the Trustee are held separately from meetings of the Council.	N/A
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