



# COLNE TOWN COUNCIL INTERNAL CONTROLS

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## Statement of Internal Control

### 1. Introduction

- 1.1 Current advice regarding the type of internal controls that are appropriate for good Governance, is set out in 'Governance and Accountability for smaller authorities in England: A Practitioners' Guide (2023 edition)' extracts of which can be found elsewhere in this document.
- 1.2 Colne Town Council (the Council) is responsible for ensuring that its public business is conducted within the law and proper standards, and that public money is used efficiently, economically and effectively.
- 1.3 In order to achieve this, the Council acknowledges that they are 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.
- 1.4 The Council's system of internal control is based on an ongoing process designed to identify and prioritise the risks to policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively and economically.
- 1.5 The Council's system of internal control is designed to ensure that its activities are carried out properly and as intended and that risks are addressed, mitigated or managed.
- 1.6 It is important that the Council satisfies itself that there is enough evidence to confirm that there are appropriate systems of internal control, and that they are operationally effective. Whilst they are set up by the Responsible Financial Officer (RFO), it falls upon Council members to ensure that they have a degree of control, and that the effectiveness of the system is reviewed at least annually. It provides reasonable but not absolute assurance of effectiveness.
- 1.7 Controls should be aligned to processes for managing risk faced by the Council, and that these controls are subject to professional, independent testing and assessment.
- 1.8 The system of internal control provides reasonable, but not absolute, assurance that the risk management objectives of the Council will be met. The concept of reasonable assurance implies a high degree of assurance, constrained by the costs and benefits of establishing incremental control procedures.
- 1.9 At its most basic level, internal control should establish that the Council produces reliable financial reporting and substantially complies with the laws and regulations that apply to it.
- 1.10 At a more advanced level, it should measure the extent to which the Council achieves its strategic and operational objectives: achievement towards these objectives is dependent on other factors such as the impact of events and capacity.

### 2 Structure of Internal Controls

- 2.1 The Council has adopted Financial Regulations and Standing Orders, based on the model versions prepared by NALC/SLCC and amended to match the practical and operational requirement of the Council, in seeking to deliver its services.

2.2 The Financial Regulations and Standing Orders are reviewed for continued relevance at least annually and amended where necessary by the Town Clerk/RFO with any proposed amendments subject to approval by the Council. For the purposes of accountability for actions taken at Officer level, in the absence of the Town Clerk/RFO, the Finance Officer assumes responsibility.

2.3 Aligned to these core documents are also a range of supplementary documents covering:

- a) Schemes of Delegation
  - a. By Committee
  - b. By Officer
- b) Committee Terms of Reference
  - a. By Committee
- c) Corporate Risk Management
- d) Financial Risk Management
- e) Asset Risk Management
- f) Health and Safety Risk Management
- g) Human Resources Risk Management
- h) Operational Risk Management
- i) Risk Assessments

2.4 Oversight is carried out through the process of:

- a) Members’ periodic checks
- b) Internal Audit
- c) External Audit

### 3 Schemes of Delegation

3.1 Standing Committees are provided with delegated powers on the proviso that all financial-related decisions are only made at Committee level within the overall budgets as approved by Full Council.

3.2 Day-to-day practical delivery requires the Town Clerk/RFO as the “Proper Officer” to make decisions including financial commitments and in effect manage all aspects of the Council’s business, including financial management, on behalf of the Council. To do so, an effective Scheme of Delegation has been agreed by Full Council.

### 4 Structure of the Council

4.1 The Council operates a Committee structure, using working parties to investigate specific issues on a task and finish basis.

4.2 The Current Committee structure and broad remits are detailed below as follows:

| <b>Council and or Committee</b>                | <b>Frequency</b>     | <b>Remit</b>   |
|--|----------------------|--|
| Full Council                                   | Monthly              | Policy, receiving representations, oversight, planning consultee.                    |
| Finance, Employment & Services Committee (FES) | Monthly              | Finance, Audit, legal, contract reviews, employment, staffing, service delivery.     |
| Events Committee                               | Bi-Monthly           | Events format and delivery.  |
| Allotments Committee                           | Bi-Monthly           | All allotment matters.   |
| Neighbourhood Plan Advisory Committee          | As and when required | Review of policies and information directly related to the Colne Neighbourhood Plan. |

## **5 Committee Terms of Reference**

- 5.1 To ensure effective use of resource and Member time, Committees are provided with Terms of Reference in order to understand the remit of each respective Committee.
- 5.2 Where task and finish type works are undertaken through Working Groups, they may also be provided with Terms of Reference to ensure a focus on the specific purpose of the group is achieved.

## **6 Corporate Risk Management**

- 6.1 The Council is in effect a business that needs to consider its risks as any corporate business does, but with the added challenge of transparency given its public facing responsibilities and its funding stream predominantly through the Precept.
- 6.2 A Corporate Risk Register is reviewed annually by Full Council and used as a process to oversee and control risk at high level with the Town Clerk/RFO then held responsible for breaking each element down into practical specific risk assessments that then guide delivery and implementation of business on a day-to-day level.

## **7 Financial Risk Management**

- 7.1 As custodians of public money, robust, transparent and accountable processes must be in place in order to protect the public interest.
- 7.2 A raft of processes and procedures need to be implemented, supported by a robust accounting system, which is provided through the use of Rialtas software and, specifically, the Omega financial management system.
- 7.3 Key areas of consideration are as follows:

### **7.3.1 Budgetary controls**

- a) The annual budget is prepared by the Town Clerk/RFO, reviewed by FES then presented to and approved by Full Council, as evidenced by reports and minutes in advance of the start of the financial year.
- b) The Precept is formulated on the basis of the budget and future plans and forecasts and is submitted in advance of the deadline set by Pendle Borough Council.
- c) Budgets are set up within the Rialtas system at the start of the year.
- d) At each Full Council, a summary of spend to date against established budget is presented and at FES Committee a detailed set of budgets by income and cost centre codes is presented.

### **7.3.2 Order/Tender controls**

- a) The Financial Regulations list the number of estimates, quotes or full tenders that must be invited depending on the value and nature of the work.
- b) Official orders/letters are issued to suppliers for services which are not regular in nature.

### **7.3.3 Payment controls**

- a) Depending on the nature of the supply, the **Town Clerk/RFO** and the Finance Officer (under the supervision of the **Town Clerk/RFO**) check the purchase invoice to indicate that the supply has been received, that the supply has not previously been paid and that the invoice calculations are correct.

- b) Purchase orders/emails/letters ordering the work are matched to purchase invoices where applicable and removed from the list of outstanding orders to minimise any duplication of payment.
- c) Payment processing is checked by two members of staff.
- d) Beneficiary bank details are taken from official documents of the supplier and checked on the internet banking system by two officers.
- e) Payments up to £4,000 (exclusive of VAT) are identified separately for payment approval by the Finance Officer under delegated powers with a schedule presented to Full Council of all payments made, highlighting separately those which are greater than £1,000 (inclusive of VAT).
- f) Payments up to £8,500 (exclusive of VAT) are identified separately for payment approval by the Town Clerk/RFO under delegated powers with a schedule presented to Full Council of payments made.
- g) Payments above £8,500 to £15,000 are authorised by both the Town Clerk/RFO and Chair of FES Committee, providing it does not exceed the original budget agreed by Full Council relating to that specific area of expenditure.
- h) Payments over £15,000 require Full Council approval.
- i) All paid invoices are available for verification by any Member on request and subject to scrutiny of the FES Committee.
- j) Payments made are included in the minutes of the Full Council meeting.
- k) Payment wherever possible should be made by BACS, Debit Card or Direct Debit. On the odd occasion where cheques are required, these will be signed by two signatories, at least one being a Councillor who is authorised to sign on the Council's bank mandate.
- l) The Town Clerk/RFO and the Finance Officer are both authorised to transfer funds from one Council account to another Council account and Terms deposit accounts (Building Society and or Bank) as defined within the Reserves and Treasury Management Policy.
- m) The Town Clerk/RFO maintains control of the Internet access card, debit card and cheque book at all times.
- n) When invoices are paid by cheque, they are identified with the cheque number and referenced in the cashbook by the cheque number. This is cross checked with the bank statements.
- o) All other payments will be cross referenced to internet, debit card or direct debit payments.
- p) Changes to bank account details of suppliers are checked before being acted upon.
- q) On-line payments made via Bankline are restricted to the Town Clerk/RFO, the External Accountant and the Finance Officer.
- r) The Council maintains a petty cash float in accordance with its Financial Regulations.
- s) The petty cash float is reconciled every month and is part of the banking reconciliation reports sent to the Chairman of the FES Committee for approval.

#### **7.3.4 Income controls**

- a) The Town Clerk/RFO ensures that the Precept is demanded from Pendle Borough Council (PBC) within the specified timeframe, and that amounts received match the demand.
- b) The Town Clerk/RFO ensures that the Precept is received when due.
- c) The Finance Officer ensures that other receipts (deposit interest, wayleave payments and lease rent) are received when due and correctly calculated.
- d) Receipts are issued for cash and cheques received and a copy kept.
- e) Income is banked promptly.
- f) VAT payment/repayment claims are made monthly via the Making Tax Digital (MTD) HMRC Integrated Software.
- g) The Finance Officer ensures that all invoices are addressed to the Council.

- h) The Finance Officer ensures that proper VAT invoices are received where VAT is payable.
- i) The Finance Officer maintains a VAT account to show that the correct amount of VAT is paid/reclaimed.

### **7.3.5 Payroll controls**

- a) Staff contracts are prepared by the Town Clerk/RFO and agreed by the FES Committee under delegated powers to the Chairman to sign and/or agree minor amendments.
- b) The appointment of the Town Clerk/RFO by the Staffing Committee must be ratified by Full Council.
- c) Contracts are reviewed and amended where necessary by the Town Clerk/RFO and approved by the Chairman of the FES Committee.
- d) The Town Clerk's contract is prepared by the Town Clerk/RFO with the direct involvement of the Chairman of the FES Committee following the FES Committee agreeing the contract terms.
- e) All employees are paid under PAYE as an employee and the necessary system for HMRC is in place.
- f) All employees' salaries are set by the FES Committee within the budget approved for employees.
- g) Salaries are paid by bank transfer.
- h) The Town Clerk/RFO will ensure that all the necessary payroll returns are made to HMRC and will retain evidence that this has been done.

### **7.3.6 Staff expenses**

- a) Staff submit a request for reimbursement of monies owing by way of an expense claim. The Town Clerk/RFO or Finance Officer will approve the reimbursement of the monies owed.
- b) The expenses cover any out of pocket, motoring and other expenses as laid down by joint SLCC/NALC guidelines.

### **7.3.7 Cash Book/Bank reconciliations**

- a) The cash book is kept electronically and maintained up to date from original documents, including cash received, cash payments, standing orders, direct debits, bank transfers made and cheques as they are prepared.
- b) The cash book is reconciled to the bank statement monthly.
- c) Reconciled accounts are presented to the Chairman of the FES Committee on a monthly basis.
- d) The latest financial position and movements of the Council can be traced back to the expenditure approved at previous meetings.

### **7.3.8 Financial reporting**

- a) A summary of spend against budget is presented at every Full Council meeting.
- b) A summary of spend against budget plus detail by cost heading budget control, comparing actual receipts and payments to the budget, is prepared on a monthly basis and presented to the FES Committee.
- c) A report shall be provided to the Finance, Employment & Services Committee and the Full Council with a monthly statement of Income and Expenditure under each head of the budgets and shall show any variances.
- d) At Year-End, a report shall be provided to the Finance, Employment & Services Committee comparing actual spend against current budget, highlighting any material variances. For this purpose, "material" shall be in excess of **£10,000 or greater than 30% of the total cost centre budget, whichever is the higher.**

## **8 Asset Control**

- 8.1 The Town Council owns a number of land sites and properties as follows:

- The Town Hall
- The Annex
- 5 Shops
- Car Park (6 spaces) opposite Town Hall
- Alkincoates Park
- 6 Playgrounds
- 3 Multi Use Games Areas
- 1 Kickabout area
- 4 Tennis courts
- 2 Bowling Greens
- 20 Allotment Sites
- Primet Community Centre
- 21 Bus Shelters (in the town centre and key routes)
- 105 on-street Benches, 47 in Alkincoates Park
- Town Centre CCTV – 56 Cameras

8.2 The Town Clerk/RFO maintains a full asset and risk register.

8.3 The existence and condition of assets is checked on an annual basis by the Town Clerk/RFO. The Council administers a full maintenance programme which is outsourced to approved local contractors, and appropriate revenue budgets are set each year to ensure that all assets are kept in a good usable condition. The Town Council also employs three Lengthsmen, who regularly deliver maintenance in the Town.

8.4 In the case of building ownership, a condition survey will be carried out every 10 years.

8.5 The adequacy of insurance of the Council's assets is considered in advance of the insurance renewal.

## 9 Health and Safety Risk Management

9.1 The Town Council has commissioned a Health & Safety Consultant to oversee compliance with current legislation.

9.2 The Council has a Health and Safety Policy which is reviewed at least every two years.

9.3 All activities carried out are risk assessed annually and whenever there is a material change to any activity.

9.4 Events are supported by an Event Management and Safety Plan and specific Risk Assessments. Public Liability insurance cover is maintained, which extends to volunteers subject to formal registration.

## 10 Human Resources Risk Management

10.1 Employment Legislation is constantly changing and as a responsible employer the Council seeks to keep up to date through the use of an external HR provider that specialises in such advice.

10.2 As part of this relationship, a full suite of HR Policies is in place, that guide proper Staff Management.

10.3 Staffing issues are managed through the FES Committee with agenda items added as and when required. Such items are classed as Private, and the public are excluded.



## **11. Operational Risk Management**

- 11.1 All operational issues carry risk and in order to obtain a collective overview of this, in addition to the Strategic risks facing the Council, the risk register covers the day-to-day risks facing the Council in carrying out its daily duties through the use of Officers.
- 11.2 With small operational teams, the risk of loss of knowledge and experience arising out of long-term absence and/or staff moving on is increased. To reduce this risk, there is a need for standard operating procedures to be developed around each area of work carried out.

## **12. Risk Assessment**

- 12.1 A suite of risk assessments have been developed and are subject to annual review and whenever there is a material change to any activity.
- 12.2 The format for these assessments is based on identification of risk (analysed as likelihood and impact) from low to high, in order that greater emphasis can be placed on managing the higher levels of risk and on reducing or even eliminating it altogether e.g. by not doing the activity anymore.
- 12.3 In terms of Health and Safety, this is managed using the underlying principles of the HSE guidance contained in HSG65 and, where events are involved, the "Purple Guide".
- 12.4 Building ownership risk is managed through the identification of statutory requirements e.g. Gas Safety, Legionella, Electrical Safety and covered by a suite of individual policies.
- 12.5 Risk Assessments are carried out annually by the Town Clerk/RFO and presented to the FES Committee meeting where they are reviewed and challenged then recommended for approval by the Full Council. The Assessments are then reviewed and minuted as approved by the Full Council.

## **13. Payments made under section 137 of the 1972 LGA ("The Free Resource")**

- 13.1 The Council does not currently have the General Power of Competence, and therefore power operates payments under S.137 as instructed below:
  - a) A separate S137 account will be maintained in the accounting records.
  - b) The Town Clerk/RFO will calculate the maximum amount of S137 expenditure able to be made each year and will ensure that it is not exceeded. The amount will be confirmed to the Council - current Electorates registered on the electoral roll of **13,149 x £10.81 per elector = £142,140.69**

\*The Department for Levelling Up, Housing and Communities (DLUHC) has notified the National Association of Local Councils (NALC) that the appropriate sum for the purpose of section 137(4)(a) of the Local Government Act 1972 (the 1972 Act) for parish and town councils in England for 2024-25 is £10.81 per elector.

- c) The corresponding legal power will be identified in advance of any expenditure.
- d) Where requests for expenditure from S137 are made, it will be made clear at the FES meeting where the payment is to be approved.
- e) A minute authorising expenditure from S137 will be recorded on each occasion.

## **14. Other issues requiring regular reporting**

- 14.1 In addition to the areas covered above, there are a number of other processes and procedures that also require further attention. These form part of the normal reporting structure whether regular items on Committees or requiring one-off report submissions.
- 14.2 To ensure completeness these are detailed below, together with other areas covered within this document.

FC = Full Council; FES = Finance, Employment and Services Committee

| Item  | To           | Frequency        | When            |
|---|--------------|------------------|-----------------|
| Internal Controls Document  | FES          | Annually         | May             |
| Internal Controls Document Checklist – review 25% each quarter  | FES          | Quarterly        | Mar/Jun/Sep/Dec |
| Annual Review of Contracts  | FES          | Annually         | May             |
| Standing Orders   | FC (via FES) | Annually         | Mar             |
| Financial Regulations   | FC (via FES) | Annually         | Mar             |
| Terms of Reference  | FC (via FES) | Annually         | May             |
| Budget Scrutiny   | FES          | Each meeting     | Each meeting    |
| Budget Summary  | FC           | Each meeting     | Each meeting    |
| Review Rental Income  | FES          | Annually         | Oct             |
| Adoption of and adherence to codes of practice for procurements and investment  | FES          | Annually         | Jun             |
| Arrangements to deter and detect fraud and/or corruption  | FES          | Annually         | Jul             |
| Damage to third party property or individuals as a consequence of the provision of services or amenities                      | FES          | On each instance | Each meeting    |
| Loss of income or the need to provide essential services following critical damage, loss or non- performance by a third party | FES          | On each instance | Each meeting    |
| Loss of cash through theft or dishonesty  | FES          | On each instance | Each meeting    |
| Legal liability as a consequence of asset ownership   | FC (via FES) | On each instance | Each meeting    |
| Security of vulnerable buildings, amenities or equipment  | FES          | Each meeting     | Each meeting    |
| Maintenance for vulnerable buildings, amenities or equipment  | FES          | Annually         | Aug             |
| Provision of services carried out under partnership agreements  | FES          | Annually         | Aug             |
| Banking arrangements  | FES          | Annually         | Feb             |
| Provision of amenities / facilities for events to local community groups  | FES          | Annually         | Feb             |
| Vehicle or equipment lease or hire (if applicable)  | FES          | Annually         | Feb             |
| Corporate Risk Register   | FC (via FES) | Annually         | Jan             |
| Financial Risk Register   | FC (via FES) | Annually         | Jan             |
| Health and Safety Risk Register   | FC (via FES) | Annually         | Jan             |
| Operational Risk Register   | FC (via FES) | Annually         | Jan             |
| Human Resources Risk Register   | FES          | Annually         | Jan             |
| Asset Register  | FC (via FES) | Annually         | Mar             |
| Insurance Cover   | FC (via FES) | Annually         | Mar             |
| Event Management Plan   | FES          | Annually         | Jan             |
| Cash Reconciliation   | FES          | Monthly          | When required   |
| Precept first Draft Budget  | FES          | Annually         | Oct             |
| Precept Second/final Draft Budget   | FES          | Annually         | Nov             |
| Precept Budget and approval   | FC           | Annually         | Dec             |

|  |              |                     |                                    |
|--|--------------|---------------------|------------------------------------|
| Call for Precept   | RFO          | Annually            | Latest Jan                         |
| Payroll- summary and check to contracts  | FES          | 6 monthly           | Jul/Jan                            |
| Inspection of Assets – 25%   | FES          | Quarterly           | Mar/Jun/Sep/Dec                    |
| Internal Audit appointment   | FC (via FES) | Annually            | May                                |
| Internal Audit   | FES          | 6 monthly           | Sep/Mar                            |
| Annual Governance Statements   | FES          | First draft         | Apr                                |
| Annual Governance Statements   | FC           | Approved            | May                                |
| Notice of Conclusion of Audit  | RFO          | As agreed timetable | Jun/Jul                            |
| Review of sample of minutes to ensure legal powers in place, recorded and correctly applied  | FES          | Annually            | Sep                                |
| Testing of income and expenditure from minutes to cashbook, from bank statements to cashbook, from made or received minutes to statements etc. including petty cash transactions | FES          | Annually            | Sep                                |
| Recording in the minutes the precise powers under which expenditure is being approved  | FES          | Annually            | Sep                                |
| Regular returns to HMRC for VAT and payroll  | FES          | Monthly             | VAT – Monthly<br>Payroll – monthly |
| Contracts of employment for all staff, annually reviewed by the Council  | FES          | Annually            | Apr                                |
| Monitoring grants or loans   | FES          | Annually            | Apr                                |
| Policy Reviews   | FES          | Staged in year      | As per schedule                    |
| Monitoring of Members' interests and Gifts and Hospitality received  | FES          | Annually            | Apr                                |

| <b>Appendix 1 -Checklist for Requirement of Effective Internal Control</b>   |            |           |
|--|------------|-----------|
|  | <b>Yes</b> | <b>No</b> |
| <b>1. Risk</b>   |            |           |
| a) Are Risk Management Arrangements in place?  |            |           |
| • Corporate  |            |           |
| • Financial  |            |           |
| • Health & Safety  |            |           |
| b) Does a scan of the minutes identify any unusual activity?   |            |           |
| c) Do Minutes record the Council carrying out an annual risk assessment?   |            |           |
| d) Is insurance cover appropriate and adequate?  |            |           |
| e) Are internal financial controls documented and regularly reviewed?  |            |           |
|  |            |           |
| <b>2. Asset Controls</b>   |            |           |
| a) Does the Council keep an Assets Register of all material assets owned?  |            |           |
| b) Is the register up to date?   |            |           |
| c) Do asset insurance valuations agree/reconcile with those in the Register?   |            |           |
|  |            |           |
| <b>3. Building Ownership</b>   |            |           |
| a) Are statutory services carried out?   |            |           |
| b) Are assets maintained to an acceptable standing of repair?  |            |           |
| c) Are utility costs regularly monitored?  |            |           |
| d) Are leasehold interests effectively managed?  |            |           |
| e) Do tenants have up to date rental agreement and are they effectively managed?                                     |            |           |
|  |            |           |
| <b>4. Budgetary Controls</b>   |            |           |
| a) Has Council prepared an annual budget in support of precept?  |            |           |
| b) Is actual expenditure against the budget and the reasons for significant variances regularly reported to Council? |            |           |
| c) Are there any significant unexplained variances from budget?  |            |           |
|  |            |           |
| <b>5. Income Controls</b>  |            |           |
| a) Is income properly recorded and promptly banked?  |            |           |
| b) Does the precept recorded in the cashbook agree to the District Council's notification?                           |            |           |
| c) Are security controls over cash adequate and effective?   |            |           |
| d) Are rents collected as they fall due or arrears arrangements adhered to?  |            |           |
| e) Are other debts collected as they fall due or are credit control escalation arrangements adhered to?              |            |           |
| f) Are invoices raised promptly and accurately after as appropriate trigger event or milestone?                      |            |           |
|  |            |           |
| <b>6. Bank Reconciliations</b>   |            |           |
| a) Is there a bank reconciliation for each bank account?   |            |           |
| b) Is the bank reconciliation done regularly on the receipt of statements?   |            |           |
| c) Are there any unexplained balancing entries in any reconciliation?  |            |           |
| d) Is the bank mandate up to date?   |            |           |
|  |            |           |
| <b>7. Petty Cash Procedures</b>  |            |           |
| a) Is all petty cash spent, recorded and supported by VAT invoices/receipts?   |            |           |

|   |  |  |
|---|--|--|
| b) Is petty cash reimbursement carried out regularly?   |  |  |
| <b>8. Payroll Controls</b>  |  |  |
| a) Do salaries paid agree with those approved by Council?   |  |  |
| b) Are other payments to the Town Clerk reasonable and approved by Council?                                       |  |  |
| c) Have PAYE/NIC/pensions been properly operated by the Council as an employer?                                   |  |  |
| d) Are HR matter (e.g. recruitment, objectives, appraisals, annual leave) effectively managed?                    |  |  |
|   |  |  |
| <b>9. Year- End Procedures</b>  |  |  |
| a) Are year-end accounts prepared on the correct accounting basis?  |  |  |
| b) Do accounts (e.g. fixed assets, debtors, creditors, cash) agree with underlying records and registers?         |  |  |
| c) Have accruals and prepayments been recorded correctly?   |  |  |
| d) Is there an audit trail from underlying financial records to the accounts?                                     |  |  |
| e) Is the external audit carried out promptly with any errors or control deficiencies report and action promptly? |  |  |
|   |  |  |
|   |  |  |