

## Audit supporting papers

The following information is provided to assist councils to prepare information required for the audit of accounts.

### Bank reconciliation

A bank reconciliation is a control schedule prepared by the Council that agrees the balance per the bank statement at the year end to the bank balance per the Council's own records e.g. the cashbook. The Council should prepare a bank reconciliation every time it receives a bank statement to ensure that any errors are identified at an early stage.

The bank reconciliation(s) should cover all the Council's bank accounts. If the Council has more than one bank account it is helpful if you can provide a summary of the bank reconciliations that agrees to Box 8 on the Annual Return in addition to the detailed reconciliations prepared for each account.

If there are no outstanding items at the year-end you must still supply a bank reconciliation. A zero or "Nil" should be included in the relevant lines on the schedule or a clear statement should be made to that effect.

An example bank reconciliation is provided on page 3.

### Explanations of significant variances on the Accounting Statements

We require explanations for significant variances (increases or decreases) of more than 15% between the current audit year and the last audit year in lines 3, 4, 5, 6, 8, 9, 10, 12 and 13. Variances of less than 15% need not be explained.

Your explanations must be quantified, i.e. state how much of the variance is covered by each specific explanation. Your explanations must ensure that the variances for each line are explained and quantified to within 15%.

You can set out your explanations of variances in any way you wish, but they should be clear and complete and easy to follow.

Our suggested method of how to identify variances that require explanation, and suggested layout for providing explanations are set out on page 4.

Positive and negative variances must be explained.

## **Council's arrangements for making payments**

Some of the most important internal controls for community and town councils are the controls the councils have in place to manage payments made. In recent years our audit work has highlighted serious deficiencies at individual councils. These deficiencies have directly contributed to significant losses being incurred at some councils.

Under our new audit arrangements we will consider whether or not councils are following their established internal controls. As a first step therefore, we need to understand the different ways in which councils make payments and the checks and balances put in place to ensure the security of the councils' funds.

Page 6 sets out the information that we require.

## Bank reconciliation

COUNCIL NAME: .....

COUNTY : .....

		£
<b>A</b>	Balance on the bank statement at 31 March (taken from bank statement)	
<b>B</b>	<p><b>Outstanding items</b></p> <p><b>Less</b> unpresented cheques (List each outstanding cheque)</p>	
<b>C</b>	<b>Plus</b> uncleared payments into bank (to agree with attached list)	
<b>D</b>	<p><b>Petty cash</b></p> <p><b>Plus</b> any petty cash balance held at 31 March</p>	
<b>E</b>	Balance in the cash book (Authority's own records) at 31 March (Calculated as $A-B+C+D=E$ and agrees with Box 9 on the Annual Return )	

## Working out what variances need to be explained

Line in section 1	Last Year £	This Year £	Variance Increase (+) or decrease (-)  (This Year minus Last Year) £	% (Variance divided by Last Year figure multiplied by 100)	Explanation required? Less than 15% - NO More than 15% - YES
Line 3 Total other receipts					
Line 4 Staff costs					
Line 5 Loan interest/ capital repayments					
Line 6 Total other payments					
Line 8 Debtors and stock balances					
Line 9 Total cash and investments					
Line 10 Creditors					
Line 12 Total fixed assets and long term assets					
Line 13 Total borrowing					

**Suggested layout for explanations**

One sheet to be prepared for **each variance** that requires explanation.

Line .....	<b>£</b>
Figure in This Year column	
Figure in Last Year column	
Variance (This Year figure less Last Year figure) A positive figure is an increase, a negative figure is a decrease	

<b>Reasons (as many as are applicable)</b>	<b>Amount</b> <b>£</b>
Reason 1	
Reason 2	
Reason 3	
Reason 4	
Unexplained	
Confirm unexplained amount is less than 15% of Last Year figure	

## Arrangements for making payments

<b>Cash and bank accounts</b>	
Does the Council operate more than one bank account?	
If Yes, please provide a description of the accounts operated. Please do not include account numbers at this stage	
Does the Council operate petty cash or make any payments by cash?	
If Yes, what records of cash receipts and payments are kept?	
<b>Payment methods</b>	
Does the Council make payments from its bank accounts by:	
<b>Cheque:</b> If Yes please describe the approval process for signing cheques (approval by council, numbers of signatories etc)	
<b>Debit card:</b> If Yes, please describe the approval process for debit card payments and how these are recorded	
<b>Direct debits and standing orders:</b> If Yes, please describe how the Council	

<p>approves the setting up of the direct debit/standing order.</p>	
<p><b>Bank transfers;</b> eg direct transfers using internet banking. If Yes please explain how individual payments are made and authorised</p>	
<p><b>Reporting payments to the Council</b></p>	
<p>Please describe how payments made are reported to the Council. For example:</p> <p>Does the clerk present a schedule of payments to the Council for approval before or after payments are made?</p> <p>Does the clerk report to the Council payments made using a debit card and payments made via standing order and direct debits?</p>	