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ASHURSTWOOD PARISH COUNCIL

Internal Audit Report 2017-2018

Introduction

In accordance with the Internal Audit Plan, Controls and Procedures have been tested, with Fraud and Risk Issues reviewed. The tests were to the standards and practices defined in the Governance and Accountability for Smaller Authorities 2017 and meet the needs of the Council. I confirm that I do not have any role within the Council and have carried out my duties without bias.

The audit was completed on 18th April 2018 and confirmed that the financial management and internal controls are in good order. No issues were found that require attention or noting on the annual return. The report below highlights the findings of the audit with reference to the Internal Control Objectives and Governance Statements in the Annual Return.

Items reported in Audits from 2016-17

Internal Audit – The internal auditor noted clarification of insured asset values which was completed.

External Audit – No comments or items for action

Internal Audit Report 2017-18

Internal Control Objectives.

A. Appropriate Accounting Records.

A.1 The financial records are maintained using RBS financial software which is designed for use by local councils. The cash books are kept up to date. The data held for each transaction sampled was correct; the cash book is arithmetically correct and regularly balanced. VAT is properly accounted for. Financial reports produced agree to the financial records.

B. Financial Regulations, documentation and approvals.

B.1 The Standing Orders and the Financial Regulations were last updated in Feb 2018. The orders and regulations are appropriate and are complied with.

B.2 Quotes for Items requiring a tender process were evidenced as obtained per the financial regulations.

B.3 Expenditure Approval. All of the items chosen in the sample of payments from the cash book were supported by invoices and VAT was correctly accounted for. The invoices were not initialled but with most payments made on-line this reduces risk. Invoices are available to Councilors for review when authorising expenditure in Council meetings. I would encourage Councilors to have sight of the invoices and initial these invoices when authorising expenditure to minimise risk. Expenditure authorisation is minuted and refers to a payment list initialled as seen and authorised at meeting. Cheque stubs in the sample audited were initialled by the signatory. On line bank payments are authorised by two signatories on line.

B.4 Agendas & Minutes are sent out in time are well presented.

C. Risk

- C.1 A formal a comprehensive Risk Register is maintained and is up to date. The Clerk confirmed that the register is supported by Risk Assessments and by regular reports received from staff.
- C.2 Internal Audit Effectiveness. Policies and controls are regularly reviewed in Finance Committees. The controls in place are strong and include checks and approval of payments at full Council meetings; and bank reconciliations at Finance and Administration Committee meetings.
- C.3 Insurance – The Parish Council’s Insurance is sufficient to cover its assets and financial risk.

D. Budgeting & Precept

- D.1 Budgetary Control – Annual budgets are prepared in support of the precept. Actual and forecast spend and reserves required are used when budgeting to set the precept.
- D.2 Monthly reports of actual vs budget spend and reserve levels are presented to the Council. These are well presented and comprehensive. The clerk reports on any significant variances. The Finance and Administration Committee review these against the reserves at each of its meetings (5 times yearly).

E. Receipts

- E.1 Income is primarily from the annual Precept plus events income and receipts from MSCC for the management of the John Pears Pavilion. The majority of income is by bank transfer. Other income is banked as received or stored in the safe until it can be banked. The precept recorded in the minutes agrees to the Council Tax authority’s notification.
- E.2 There is no VAT on income. VAT claimed and refunded on payments is correctly accounted for.

- F. Petty Cash** – There is no petty cash system. The Council used prepaid Debit Cards (FairFx) for low value purchases which are topped up when needed and properly accounted for.

G. Employee Costs

- G.1 Staff Wages – Payroll is managed by the Clerk using the Payroll Manger (Moneysoft) system. The Clerk confirmed that all employees have contracts of employment. Changes to Salary levels are approved by Council and noted in the minutes; staff contracts also state annual increments are payable on 1st April until they reach the maximum within their scale. Monthly payments are approved by Council. Payroll and HMRC records agree with the financial ledgers.

H. Assets

- H.1 Assets – An Asset register is maintained using cost values and shows. The insured values per item are not shown but the sums insured are consistent with the asset register values and the insurance cover is sufficient to cover asset values.

I. Bank Reconciliations.

- I.1 Bank Reconciliations are completed on a monthly basis. The reconciliations and bank statements are checked by the Chair/or Vice Chair of the Finance and Administration Committee; these are presented to the Committee at its meetings and minuted.

J. Accounting Statements.

- J.1 The accounts are maintained on an income and expenditure basis and agree to the financial reports and the Annual Return.
- J.2 There is an audit trail through the financial records with all items sampled being properly reported and approved.
- J.3 Reserves are £53.3K.in total. Earmarked reserves of £ 17.4 are identified by projects with General reserves of £35.9K representing approximately 6 months of payments.

Annual Governance Statements

The internal audit findings agree with a YES response to the assertions except that in reference to Assertion 3 and compliance with the Transparency Code it is noted that the Council's website was not operational at the time of the audit and so could not be included in the audit findings. The Clerk advised that the Council was compliant with Transparency code regulations.

It is noted that the figures have been produced by the Clerk in accordance with the requirements and all supporting documents have been produced for the Internal Auditor. The Clerk's co-operation aided considerably the work of this internal audit. Thank you.

Keith Robertson FCMA
Internal Auditor
25th April 2018