

Keith Robertson
Email keith.a.robertson@aol.com

ASHURSTWOOD PARISH COUNCIL

Interim Internal Audit Report October 2018

The interim audit was completed on 16th October 2018. This audit reviewed tests for compliance to a positive assertion to item 1 on the Governance statement on the AGAR. e.g “*We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements*”.

The audit scope was broadly budgeting, internal financial performance reporting, confirmation of bank balances, external (statutory) financial reporting. Testing included a review of information published on the Council’s website and a review of process with the Clerk at the Council office.

To warrant a positive response to the Governance assertion, the processes detailed in appendix 1 need to be in place *and effective*. The process supporting these tests were reviewed in the interim audit with no substantive testing completed. The interim audit found that the Council is fully compliant.

The only change suggested is to publish the actual level of reserves in the financial statements which are presented to the Council’s finance committee and that these reserves are reconciled to the bank balances (which the Council already reviews via the bank reconciliations), in other word publish the balance sheet and make sure the bank recs when checked agree to that.

The Council uses a purchase order system for some but not all purchases. The orders are raised by the Clerk and the subsequent invoices are prepared for payment by the Clerk. There are no other persons involved in the process. While not a risk this does not substantially improve the controls around purchasing but does add to the administration required. The Council may wish to consider if it wants to review these procedures or not to use purchase ordering system.

Summary of tests

1 Budgeting. The budgets are prepared by the Clerk and Members in detail with supporting notes and with reference to a forecast of the current year. The budget (and therefore precept) also considers reserve levels needed. Actual I&E vs budget is monitored during the year with some current and forecast reserve levels published. The addition of a quarterly balance sheet will close the loop.

2 Accounting records and supporting documents.

Effective procedures are in place for financial recording, approval and reporting. The Clerk / RFO has everything under control, very well managed. All compliant.

3 Bank reconciliation. All compliant, just check bank recs are the same as on the balance sheet.

4 Investments. Funds are all held and managed in mainstream banks. Compliant

4 Statement of accounts. Statutory reporting noted on the web site is compliant, no audit issues in 2017-18. Process for effective and timely internal & external reporting are in place.

Keith Robertson FCMA
Internal Auditor
19th October 2018

Appendix – tests for Assertion 1 on the Governance Statement

1.1 Budgeting. The authority needs to prepare and approve a budget in a timely manner before setting a precept or rates and prior to the commencement of the financial year. It needs to monitor actual performance against its budget during the year, taking corrective action where necessary. A financial appraisal needs to be undertaken before the authority commences any significant project or enters into any long-term commitments.

1.2 Accounting records and supporting documents. All authorities, other than parish meetings where there is no parish council, need to appoint an officer to be responsible for the financial administration of the authority in accordance with section 151 of the Local Government Act 1972. Section 150(6) of the same Act makes the chairman of a parish meeting (where there is no parish council) responsible for keeping its accounts. The authority needs to have satisfied itself that its Responsible Finance Officer (RFO) has determined a system of financial controls and discharged their duties under [Regulation 4 of the Accounts and Audit Regulations 2015](#). The RFO needs to have put in place effective procedures to accurately and promptly record all financial transactions and maintain up to date accounting records throughout the year, together with all necessary supporting information. The accounting statements in Section 2 of the annual return need to agree to the underlying records.

1.3 Bank reconciliation. Statements reconciling each of the authority's bank accounts with its accounting records need to be prepared on a regular basis, including at the financial yearend, and reviewed by members of the authority.

1.4 Investments. Arrangements need to be in place to ensure that the authority's funds are managed properly and that any amounts surplus to requirements are invested appropriately, in accordance with an approved strategy which needs to have regard to DCLG's statutory [Guidance on local government investments](#). If total investments are to exceed £500,000 at any time during a financial year an authority needs to produce and approve an annual Investment Strategy in accordance with the DCLG guidance.

1.5 Statement of accounts. The authority needs to ensure that arrangements are in place to enable preparation of an accurate and timely statement of accounts in compliance with its statutory obligations and proper practices.