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ASHURSTWOOD VILLAGE COUNCIL

Internal Audit Report 2018-2019

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 2019 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 25th April 2019 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 2017-18

Internal Audit – The 2017-18 audit noted that with reference to Governance Assertion its compliance with the Transparency Code could not be confirmed because the website was not live during the 2017-18 audit. A website review in the 2018-19 audit confirmed the Council is compliant with Transparency code requirement and that it also publishes additional information.

External Audit – No comments or items for action

Internal Audit Report 2018-19

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 reviewed in May 2018. The orders and regulations are appropriate and are complied with.

B.2 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. Invoice payment lists are initialled by Councillors and payments authorised via on line banking by Cllrs. Hard copy invoices are available to Councillors for review when authorising expenditure in Council meetings. Expenditure authorisation is minuted and refers to the payment list.

B.3 Agendas & Minutes are sent out in time are well presented.

C. Risk

- C.1 A formal a comprehensive Risk Register is maintained, and up to date with the last review in Dec 2018. 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 sampled agreed to the financial ledgers.

H. Assets

- H.1 Assets – An Asset register is maintained using cost values. The insured items are consistent with the asset register items and the insurance cover is sufficient to cover current asset values.

I. Bank Reconciliations.

- I.1 Bank Reconciliations are completed on a monthly basis. The reconciliations and bank statements are checked & signed 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 £47K.in total. Earmarked reserves of £12K are identified by projects with General reserves of £35K representing approximately 6 months of the precept.

K. Limited Assurance Review Exemption.

The Council did not exempt itself in 2017-18 and so this item is not covered by the scope of the internal audit.

L. Exercise of Public Rights.

This item is not within the scope of the internal audit.

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 2019