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SEDDLESCOMBE 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 10th May 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.

Prior Year audit comments and actions

Internal Audit – No items were reported requiring action.

External Audit – No items were reported requiring action.

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A. Appropriate Accounting Records.

A.1 The financial records are maintained in Sage. The financial ledgers are kept up to date. The data held for each transaction sampled was correct; the cash book and ledger 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 Standing Orders were reviewed in May 2017 and will be presented again for approval in May 2018. Financial regulations posted on the Website were last updated in 2014. The clerk does intend to present these again for review in May 2018.

B.2 The Clerk confirmed the Bank mandate is any 2 authorised signatories to sign cheques/orders and that on-line banking is not used.

B.3 There were no items in the sample tested that required quotes for Items of de minimis amounts per the financial regulations.

B.4 Expenditure Approval. All items in the sample audit were supported by documented approval with an audit trail through the financial records. VAT was properly accounted for.

B.5 Agendas & Minutes are sent out in time are well presented.

B.6 It is noted that archives of documents are not held and recorded in one location but the clerk intends to review this in 2018

C. Risk Assessment

- C.1 A Risk Register was reviewed by the Council in June 2017. The register will be reviewed again in 2018. The Clerk is considering a format similar to that defined in the Governance and Accountability Guide 2017
- C.2 Internal Audit Effectiveness. a review of internal audit controls is completed when the annual return is signed off.
- C.3 Insurance. – The cover was renewed in October 2017. The items noted on the insurance schedule are not clearly matched to the items on the asset register. Some assets are not insured (intentionally) some items on the register are insured by 3rd parties (e.g The pavilion). It was not possible to say conclusively that all assets requiring insurance have cover but the values insured are in total broadly in line with the asset values on the register. It would improve clarity if the asset register was amended to show both the cost value and the insured value of items on the register.
- C.4 The Pavilion is owned by the Council but leased to a Sports Association. The minutes from June 2017 show that the Council asked for proof that the Association has insured the building but there is no evidence that it has been insured. **This represents a potential Risk and should be resolved as soon as possible.**

D. Budgeting & Precept

- D.1 Budgetary Control – Annual budgets are prepared in detail to support the precept, actual expenditure is compared with the budget and any significant variances are explained
- D.2 Monthly reports of actual vs budget spend are presented to the Council.

E. Receipts

- E.1 Income is primarily from the annual Precept or Grants which are received by bank transfer. The precept recorded in the minutes agrees to the Council Tax authority's notification.
- E.2 Other income is banked as received.
- E.3 There is a small amount of VAT on income. VAT refunds receipts are correctly accounted for.

- F. Petty Cash** – A petty cash system is maintained but is dormant with a balance of £1.63 and there were no transactions during the year.

G. Employee Costs

- G.1 Staff Wages – Payroll is managed by the Clerk via the HMRC systems on line and the on Line Sage accounts link. The Clerk has a contract of employment. Samples of payroll records and payments to employees and HMRC were correct.

H. Assets

- H.1 Assets – An Asset register is maintained and was last updated in June 2017. The Asset register total value agrees to the Annual Return. Purchases of new low value items (e.g Laptop PC) are not now classed as assets or included in the asset register and this policy will be confirmed by the Clerk in 2018. There is in total sufficient insurance cover for the asset values that require insurance.

I. Bank Reconciliations.

- I.1 Bank Reconciliations are completed on a monthly basis. Bank reconciliations with these statements are presented to council and the reconciliations are signed as reviewed each month.
- I.2 There was no bank statement for the £23K in the West Bromwich bank account filed or available for review at this audit or to support the year end bank rec. It is understood that there were no transactions on this account **but this represents a risk and should be resolved as soon as possible.**

J. Accounting Statements.

- J.1 The accounts are maintained on an income and expenditure basis with reconciliations to the cash book and debtor / creditor movement.
- J.2 All of the items chosen in the sample of payments from the ledger were supported by invoices and VAT was correctly processed. All items were traced to the invoices authorised for payment, approval in the minutes and cheque stubs.
- J.3 Debtors and Creditors are properly reported.
- J.4 Reserves – Total reserves are £88K of which £54K are earmarked and are identified by project, £7K are CiL funds. The value of general reserves is £27K which is adequate.

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
11th May 2018