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SEDLESCOMBE PARISH COUNCIL

Internal Audit Report 2016-2017

Introduction

In accordance with the Internal Audit Plan, Controls and Procedures have been tested, with Fraud and Risk Issues reviewed. These are managed, in line with the Governance and Accountability for Local Councils Practitioners' Guide (GALCP) and meet the needs of the Council. I confirm that I do not have any role within the Council and will carry out my duties without bias.

The audit was completed on 19th May 2017 and confirmed that the financial management and internal controls are in good order. Issues arising from the previous audit were addressed. The report below highlights the findings of the audit with reference to the internal control objectives set out on page 5 and statements in section 1 of the of the annual return.

The Clerk/RFO resigned on 1st April 2017. An interim Clerk/RFO was in place at the time of the audit but did not take part in the audit process. All of the information applied during the audit was supplied by the ex-Clerk/RFO. References to the Clerk in this report mean the ex-Clerk.

Prior Year audit comments and actions

Internal Audit 2015-16.

- **Risk Assessment.** It was recommended that a Risk Assessment is completed and entered into the minutes. This was completed and will be presented again for approval at the meeting on 31st May 2017.
- **Internal controls.** It was recommended that the review conducted by the Chair of the Finance committee be conducted more regularly. Council considered this and agreed that the review by the Chair of the Finance Committee was adequate.
- **Bank Reconciliations.** It was recommended that a copy of the Bank Reconciliations and the Statements are presented to Councilors at the monthly meeting and that these are initialled as reviewed. Bank reconciliations and Statements are now presented and minuted as seen but these are not initialled.
- **Asset Register.** It was recommended that a the asset register is updated to show locations of assets and insured values. No changes were made to assets or the register. The insurance cover document was not available for audit but the Clerk advised that there were no changes as the insurance is a 3 year contract.
- **Payments.** It was recommended that the Clerk have access to a debit card because of the volume of payments being paid on the Clerk's personal credit card and re-claimed as expenses. This was not considered necessary by the Council.

External Audit 2015-16.

Noted – Provision for the exercise of public rights, Box 4 to be NO for 2016-17.
Section 2 Box 10. Correct values brought forward in 2016-17 return.

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A. Appropriate Accounting Records.

- A.1 The financial records for 2016-17 were maintained in Sage. The financial ledgers are kept up to date. The data held for each transaction is 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 and Financial Regulations are reviewed at least annually and will be presented again for approval on 31 May 2017. Changes were made to the standing orders during the year.
- B.2 Bank Mandates. These were not seen at the audit. The Clerk confirmed the mandate is any 2 authorised signatories to sign cheques/orders and that on-line banking is not used.
- B.3 The Clerk confirmed that quotes for Items of de minimis amount were obtained 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.

C. Risk Assessment

- C.1 A Risk Register and Risk Assessment was completed and will be presented for review by Council in May 2017.
- C.2 Internal Audit Effectiveness. The minutes of 7th June 2016 confirm that a review of internal audit controls was completed. The Chair of the Finance committee also carries out additional non specified checks on a quarterly basis. [Controls would be improved further if these checks were documented and the findings included in the minutes of the finance committee.](#)
- C.3 The Clerk confirmed that the Parish Council's Insurance in place is sufficient to cover its assets and financial risk, all of which remain unchanged from 2015-16.

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 no VAT on income. VAT refund 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. Cash balances are checked.

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. Payroll and HMRC records agree with the financial ledgers. Noted - The process for making Salary payments for 2017-18 is not yet known.

H. Assets

H.1 Assets – An Asset register is maintained. Information on the Locations of assets could be improved. This will be presented for review on 31 May 2017. The Clerk confirmed that the insurance cover is sufficient to cover asset values.

I. Bank Reconciliations.

I.1 Bank Reconciliations are completed on a monthly basis using telephone banking or paper statements to obtain bank statement balances. . Paper statements are received from the bank on a quarterly basis. Bank reconciliations with these statements when received are presented to council as above.

I.2 The reconciliations are presented to the Council at the monthly meetings and minuted as reviewed

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 – Earmarked reserves total £37K and are identified by project. The value of general reserves at £35K is around 78% of the precept.

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
20th May 2017