Internal Audit Report

Fridaythorpe Parish Council

Year ended 5 April 2018

Prepared by

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Background and Scope

The Accounts and Audit Regulations 2015 requires all smaller authorities to publish their annual internal audit report. Under the regulations a smaller authority has gross income or expenditure less than £25,000. This report is made to the parish council of Fridaythorpe, relating to the accounting information, and records held for the year ended 5th April 2018. The review took place from the 10th to the 16th June 2018.

Internal Audit Approach

As the Council’s Internal Auditor and under the revised audit arrangements, I have a duty to complete the internal audit certificate in the Council’s Annual Return, which covers the basic financial systems and requires assurances in ten separate areas. In carrying out the internal audit review for 2017-18, I have continued to have regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts. This report sets out the areas of work examined during the year: my reports and file of work completed is available, on request, for review by the Council’s external auditors and should assist them in gaining the required level of assurance on the adequacy of those Council’s systems examined and detailed in this report.

Overall Conclusion

In the areas examined, the Council has adequate systems in place to ensure that transactions are free from material misstatement and should be reported accurately in the Statement of Accounts for 2017-18. However concerns raised in the previous report were not acted upon until late in the financial year, and this has impacted on the overall conclusions raised.

On the basis of the work undertaken this year, I have duly signed off the Internal Audit Certificate at Section 4 of the Annual Return, assigning positive assurances where appropriate. Item ‘I’ regarding bank reconciliations remains negative due to the problems identified in 2017, the lack of bank statements during the period preventing regular reconciliations. Although following the appointment on a new clerk late in the year has had a positive impact on the stability and strength of the financial controls in place. An explanation regarding this has been included for the external auditors, which includes recognition of improvements made following the last report.

Recommendations

1. Full bank reconciliations should be prepared along with accounting records on a regular basis.
2. Assets should be fully identifiable, and easily located through reference to the asset register.

**Detailed Report Review of Accounting Arrangements & Bank Reconciliations**

The objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. To that end, I have: -

¬ Ensured that the ledgers remain in balance at the end of the year;

¬ Checked and agreed all transactions (receipts, payments and inter account transfers) in the Council’s current and reserve account cashbooks to the relevant bank statements

¬ Checked and agreed detail on bank reconciliations for all accounts as at March 2018 ensuring that no long-standing uncleared cheques or other anomalous entries exist; and

¬ Verified the accurate disclosure of the year-end balances in the Accounts and Annual Return.

Conclusions

The sketchy records identified in the previous report continued until the new clerk was appointed. Record keeping and internal controls were less than satisfactory, and although some effort was made to ensure transactions described in the minutes of the parish meetings were correctly authorised, the loss of records with a departing member of the council and the delays this generated should not have occured. It is noted however that records become significantly improved with regular reconciliations and appropriate controls in place, with appointment of the new clerk.

It is also noted that the Council has received confirmation that the new bank account is available for the future transactions, and appropriate controls are in place for this account.

***R1 : Bank reconciliations should be prepared on a regular basis, and records maintained to reflect all transactions***

**Review of Corporate Governance**

The objective is to ensure that the Council has robust corporate governance documentation and procedures in place, that Council meetings are conducted in accordance with the adopted Standing Orders and that no actions of a potentially unlawful nature have been or are being considered for implementation. I have: -

¬ Examined the minutes of the Council meetings for the financial year and into the current year to identify whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council’s future financial stability; and

¬ Considered the Council’s approach to corporate governance.

Conclusions

No issues have been identified in this area of my review. Minutes were readily available for the meetings, and approval of previous meeting minutes were included on the agendas for each full council meeting. The meeting minutes were published online and as such available for scrutiny by the public.

**Review of Expenditure**

The aim here is to ensure that: -

¬ Council resources are released in accordance with the Council’s approved procedures and approved budgets;

¬ Payments are supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and/or an acknowledgement of receipt, where no other form of invoice is available;

¬ All payments are being reported to Council;

¬ An official order was placed for all goods and services as necessary when not covered by contracts or similar agreements, such as utility bills;

¬ That suitable quotations had been obtained and formally considered for more costly works; and

To confirm compliance with the above criteria, I have examined a sample of payments made in the year. As the number of transactions in the year is not extensive, the sample taken was spread across the year with transactions from each month being matched to appropriate supporting minutes and third party documentation.

Conclusions and recommendations

I am pleased to report that the above criteria were met.

**Assessment and Management of Risk**

The aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks identified in order to minimise the opportunity for their coming to fruition.

¬ the Council’s insurance cover was examined through a copy of the most recent policy to ensure that suitable Employer’s and Public Liability and Fidelity Guarantee protection is in place.

Conclusions

There were no issues identified, and a full assessment programme has been implemented following the previous review with an emergency plan in place and lodged appropriately.

**Precept Determination and Budgetary Control**

The aim in this area of is to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount to be precepted on the parent Council, that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans. To meet this objective, I:

¬ Note that the process for determining the budget and precept requirement was completed at the Council’s meeting in and Council agreeing a precept for the forthcoming year;

¬ Note that members of the Finance Panel sub-committee continue to meet on a regular basis receiving detailed management accounting reports.

Conclusions

There are no issues identified, the precept was agreed and reported after the appointment of the new clerk, and the knowledge and experience provided by the clerk has significantly assisted the council in this area.

**Review of Income**

In considering the Council’s income streams, the aim is to ensure that robust systems are in place to ensure the identification of all income due to the Council from its various sources, to ensure that income is invoiced in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council. To meet this objective, we have:

¬ Reviewed a sample of receipts noted as received to ensure that the cash had been appropriately banked

Conclusions

No issues have been identified in this area

**Petty Cash Account**

I have reviewed the minutes where expenses are reviewed for payment during the year ensuring that each is appropriately reviewed by the council.

Conclusions

No matters arise in this area.

**Salaries and Wages**

In examining the Council’s payroll function, my aim is to confirm that extant legislation is being appropriately observed as regards adherence to the requirements of HM Revenue and Customs (HMRC) legislation and the deduction and payment over of income tax and NI contributions

To meet the above objective, I have: -

¬ checked and agreed the amounts paid to individuals by examining individual payments

Conclusions

No issues arise in this area.

**Fixed Asset Register**

The Accounts and Audit Regulations 1996 require all councils to develop and maintain a register of assets identifying detail of all land, buildings, vehicles, furniture and equipment owned by the Council.

Conclusions

An asset register is maintained by the council, and regularly reviewed. This highlighted that a smaller item had been “missing “ for some time.

***R2: Assets should be fully identifiable, and easily located through reference to the asset register***

**Investments and Loans**

The objectives here are to ensure that the Council is investing “surplus funds”, be they held temporarily or on a longer term basis, in appropriate banking and investment institutions, that an appropriate investment policy is in place, that the Council is obtaining the best rate of return on any such investments made, that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with the relevant loan agreements.

The Council currently has no loans outstanding. Statements were available from appropriate third parties supporting all declared banking and investment accounts.

**Statement of Account and Annual Return**

The 1996 Accounts and Audit Regulations required all Councils to prepare annually a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council’s financial affairs. I have verified the accuracy of detail in the Statement of Accounts and Annual Return by reference to the underlying records with no issues arising.

Conclusions

I have duly signed off the Internal Audit Certificate at Section 4 of the Annual Return, assigning positive assurances in each relevant area.