

INTERNAL AUDIT REPORT 2017-18

MICHAELSTOW PARISH COUNCIL

1 INTRODUCTION

The following audit areas were examined:

Accounting Records; Bank Reconciliations; Receipts, Payments; Council Policies; Insurance; Risk Register Assessment; Payroll; & Council Minutes, Council's Internal Control arrangements and Annual Governance & Accountability Returns (AGAR) for 2017/18 including the Certificate of Exemption.

These meet the internal control objectives as listed on page 4 of the AGAR.

2 OVERALL

The standard of administration and system of internal controls relating to the audit areas examined was considered satisfactory; with the following exception:

- G. One additional payment to the Clerk had not been processed via Payroll; this could have PAYE & NI implications. All payments to the Clerk for clerking should in future be processed via payroll.**

3 DETAILED FINDINGS & RECOMMENDATIONS

The following outlines the areas covered during the internal audit which support the above statement; areas of concern are highlighted.

A Appropriate accounting records have been properly kept throughout the financial year.

The primary accounts record examined (i.e. the excel receipts and payments ledgers) were found to be accurate providing a comprehensive analysis of receipts and payments; meeting the Council's needs.

B The Council complied with its financial regulations, payments were supported by invoices/vouchers, and all expenditure was approved and VAT was appropriately accounted for.

Total payments for the year £7,007.75. A sample of 9 payments were examined in detail and were agreed to the bank statements and financial accounts, and Council Minutes. Council authorisation supporting each payment was easily traced in the minutes and Council's approval of the payment was also evidenced by two councillors initialing/signing the cheque stub. Copies of 7 invoices/receipts selected have been sighted supporting the bona fide payment.

Payments examined complied with the Council's Financial Regulations. VAT is appropriately accounted for in the Payments Ledger.

The internal control objective has been met.

C The council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

The Clerk has produced a Financial/Operational Risk assessment which was considered and adopted at its April 2017 meeting. Councillors who are responsible for assessing risks relating to physical assets have yet to update their section of the register and are expected to complete their inspections over the summer period. The Council's internal controls are well documented within the Council's Book of Governance.

During the year the Council has also demonstrated its internal management of perceived risks by reviewing its insurance needs, approving payments, and appointing an internal auditor. The internal control objective has been met.

D The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored by the council; and reserves were appropriate.

1. In Year Budget Monitoring – The Clerk regularly prepares a monthly financial reconciliation report which is presented to the Council and considered to adequately meet Council's needs.
2. Precept/Budget 2018-19 – The Council resolved to set a precept of £7,500 at its December 2017 meeting having considered the Clerk's Budget Projections. No financial details of the adopted budget is present within the minutes. **There is a need to ensure that not only the precept but also the budget is confirmed as resolved as approved by Council in the minutes since it is a Council decision. Ideally the numerical value of the expenditure budget should be recorded**
3. Reserves - The year-end balance of £4,336.43 was considered satisfactory. The Community Fund Bank Account has now been set up and the funds of £1,500 held by the PC have been transferred to it successfully via a cheque payment.

The internal control objective has been met.

E Expected income was fully received, based on correct prices, properly recorded and banked.

Total receipts for the year were £7,673.10. These comprised mainly of the precept and council tax grant; which were satisfactorily traced to banking records. The internal control objective has been met.

F Petty Cash Float - No petty cash float is held by the Clerk.

G Salaries to employees and allowances to members were paid in accordance with the Council's approvals and PAYE & NI requirements were properly applied

The Clerk's 12 standard monthly payments as detailed in the accounts; have been agreed to the Employer's P32 Schedule; with the exception that an additional hours payment made in June was not processed via Payroll (£156.70). The Council uses a third party payroll service and additional costs associated with the transactions was explained as the reason for this omission.

In order to meet PAYE and NI requirements all payments to the Clerk for clerking should in future be processed via payroll.

Council minutes supported these payments. A comparison to the Clerk's contract was not possible as the contract was unavailable. No allowances were paid to members.

H Asset and investments registers were complete and accurate and properly maintained

The Council's fixed asset register/inventory as at 31/3/18 was examined and found to detail assets at their cost and replacement values where the value is unknown; £3,582. No in year movement occurred; as confirmed by the Clerk/RFO.

The Council is insured and the current policy expires on 31/5/18. The internal control objective has been met.

I Periodic and Year-End Bank Reconciliations were properly carried out.

A year end bank reconciliation has been carried out by the Clerk and re performed and independently agreed by the Auditor. This will be presented to Council at their May meeting.

The Clerk presents a breakdown of receipts and payments balanced against the bank at each meeting.

J Annual Governance & Accountability Return (AGAR) 2017/18; Certificate of Exemption (page 3); Statement of Accounts (page 6).

The AGAR's Certificate of Exemption has been completed by the Clerk and certified and submitted to the External Auditor. **Unfortunately the total payments figure shown was found not to agree with the Payments Ledger.**

The AGAR's, "**Draft**" Statement of Accounts (page 6) was submitted (on a working sheet) and has been correctly compiled on a receipts and payments basis based on accounting records supplied. The AGAR Statement of accounts will be compiled by the RFO and considered and approved by Council at the Council's May meeting.

K Trust Funds - The Council is not responsible for a trust fund.

L Council Meetings

A review of Council meeting minutes confirmed that the necessary number of councillors were in attendance achieving the required quorum. Council minutes were appropriately signed as accurate.

A brief review of Council's records on the Council's website confirmed that the web site was up to date and informative **however councillors' declarations of pecuniary interest could not be found.**

Should the Council have any queries with this report please do not hesitate to contact me. I would like to thank Simon for his assistance during the audit.

Best Regards,

SD Hackett

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