

DINNINGTON ST JOHN'S TOWN COUNCIL

Internal Audit Report 2019/20

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Background and Scope

The Accounts and Audit Arrangements introduced with effect from 1st April 2015 require all Town and Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. The Council complied with the requirements in the terms of independence from the Council decision making process appointing Voluntary Action Rotherham to provide an internal audit function to the Council; this report sets out those areas examined during the course of our investigation of the Council's Accounts and Accounting processes for 1st April 2019 to 31st March 2020.

Internal Audit Approach

The audit has been conducted in accordance with the direction of the Council set out in the approved minutes of the Council meeting held on 10 June 2019. The audit is not designed to identify all significant weaknesses in the Council's systems but, if such weaknesses come to our notice during the course of our examination, which we think should be brought to your attention; we shall report them to you.

The responsibility for the prevention and detection of fraud, error and non-compliance with law or regulations rests with the Council. The audit should not be relied upon to disclose all material misstatements or frauds, errors or instances of non-compliance as might exist.

In accordance with guidelines set out by the Governance and Accountability for Local Councils – practitioners' guide, our work plan consisted of an investigation to review whether the systems of financial and other controls over the Council's activities and operating procedures are effective. Areas covered by the testing included;

- Bookkeeping
- Adoption and application of standing orders and financial regulations
- Payment control
- Risk management arrangements
- Budgetary controls
- Income controls
- Petty cash procedures
- Payroll control
- Asset control
- Bank reconciliation
- Year-end procedures

Overall Conclusion

I am pleased to conclude and report that the Clerk/Responsible Financial Officer (RFO) has maintained a good standard of record keeping which has assisted in the audit process. I have confidence that the figures lifted into the Statement of Accounts for the financial year ended 31st March 2020 are accurate.

Area's identified for update or improvement are Standing Orders (should be overviewed annually), internal financial controls should be reviewed and minuted as a separate item and not as part of the Financial Regulations. Further details can be found in the body of this report.

Detailed Report

Bookkeeping

At the start of the year, the Town council moved onto an accounting software, this is maintained and kept up to date by the Clerk/RFO. The cashbook was arithmetically correct at the year-end and regular bank reconciliation's were carried out.

Standing orders and financial regulations

The Town Council adopted and approved new model Financial Regulations on 14 October 2019. Purchase authority is defined in the Financial Regulations and they are properly tailored to the council.

The Council approved model standing orders on 10 September 2018. There was no review during the year; standing orders should be overviewed annually as part of the Councils internal control check.

Payment control

A selection of payments was selected for sampling, all the payments selected were supported by invoices, authorised at council meeting and correctly minuted.

During the period of this report there was no S137 expenditure, this was separately identified via the software.

Value Added Tax (VAT) is clearly and separately identified from the software with its own VAT summary. VAT is reclaimed from Her Majesty's Revenue and Customs (HMRC) quarterly. The amounts reclaimed agree to the cashbook.

Risk management arrangements

All financial activities are listed at monthly council meetings where they are verified/approved and minuted for payment. Electronic copies of the minutes were not initialled, hard copies were not checked.

The annual risk assessment document was updated and approved at the Council meeting on 14 October 2019 (minute 109/19 (A)).

The Town Council is insured with Zurich Municipal, the Policy includes Employers, Public Liability and Fidelity guarantee, the levels are appropriate for the size of the council. Insurance was reviewed and approved on 9 March 2020 (minute 29/20B).

Financial controls are reviewed as part of the financial regulations; they have not been reviewed and minuted separately. Additional internal financial checks were agreed and approved by Council on 14 October 2019 (minute 104/19(D)).

The Town Council has a cash investment that is clearly identifiable.

Budgetary controls

The Council set their budget on an annual basis; Council approved the budget on 27 January 2020. Actual income and expenditure is monitored against budgeted income and expenditure quarterly using reports produced by the Clerk/RFO. Any variance is explained and approved by members.

The Town Council has earmarked reserves that are reviewed at the financial year-end and are clearly stated.

Income control

Income received is recorded onto the computerised software and is banked promptly. There are levels of control in place for balancing income received from the bar area and a segregation of duties strengthens this.

Rotherham Metropolitan Borough Council via BACS pays budgeted precept income in two instalments in the year, half in April and half in September. The precept amount recorded in the cashbook agrees with the Council's notification.

I was unable to verify whether security controls over cash were adequate and effective.

Petty Cash

All Petty Cash expenditure selected for sampling was authorised and a receipt was attached. Petty cash expenditure is reported to Council monthly with other expenditure, reimbursements are regularly carried out.

Payroll controls

There are eight regular paid staff and six casual staff employed by the Town Council. Contracts of employment are currently in place, although these were not evidenced during the audit.

The council approves salary payments each month; the level of remuneration for staff is not stated in the minutes. This should be agreed annually and minuted by Council.

The salaries and other payments made to the Clerk and staff are reasonable and have been approved by the Council.

Pay as You Earn and National insurance contributions are calculated in house using Iris software. The RFO/Clerk pays the PAYE liabilities to the Inland Revenue on a monthly basis.

The Town Council has met its pension obligations with regard to Automatic Enrolment; they provide a pension scheme with Peoples Pension via B&CE.

The Town Council has adopted a grievance and disciplinary policy; this was updated and agreed in December 2019.

Asset control

The Council maintains an Asset Register of all material assets owned or in its care. This is kept up-to-date and includes the acquisition cost as well as the insurance value of the assets; it is reviewed annually as part of the year-end processes.

Bank reconciliations

Bank reconciliations are carried out on a weekly basis, the reconciliation consolidates all the Council's bank accounts. These are presented to council for review and approved on a monthly basis. There are no unexplained balancing entries.

Year-end procedures

Accounts are prepared on an income and expense basis and a reconciliation of the adjustments made for debtors and creditors was provided.

The accounts agree to the cashbook totals, there is a clear audit trail from underlying financial records to the accounts.

The Parish Council has arrangements in place for the public inspection of records; this was correctly displayed on the council's website.

The council have a privacy policy in place that is available to view on the website.