

# *SILVERTON PARISH COUNCIL*

Internal Audit Report for the year  
ended 31 March 2019

*James Dishman FCA*

### **Basis of Report**

The internal audit has been conducted in accordance with the Governance and Accountability for Smaller Authorities in England (March 2018) specifically as a reference work for auditors. Where relevant, reference has also been made to The Accounts and Audit Regulations 2015.

The scope of the internal audit is focused on assessing the effectiveness of the Council's internal controls. Where any such controls are found to be deficient, the internal audit will help lead to improvement in these processes.

### **Internal Audit**

Internal auditing is an independent, objective assurance designed to improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

It is a requirement of the Council to undertake an effective annual internal audit to evaluate the effectiveness of its risk management, control and governance processes taking account internal auditing guidance for smaller authorities.

### **Internal Control**

Responsibility for internal control –

The Council must ensure that it has a sound system of internal control which –

- (a) Facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) Ensures that the financial and operational management of the Council is effective; and
- (c) Includes effective arrangements for management of risk.

I would comment that no Statement of Internal Control is in place and I recommend that this be addressed as soon as possible. An example of such a document will be sent to the Clerk for information.

## **Format of Report**

For ease of reference, the sections of the report are set out below:

### **Policies and procedures documentation review**

#### **Other Sections**

- Accounting records and financial control systems
- Payment controls
- Risk management
- Budgetary controls
- Income controls
- Petty cash
- Payroll controls
- Asset controls
- Bank reconciliations
- Year-end procedures

### **Policies and procedures documentation review**

Governance	Last Review	Next Review
Standing Orders	January 2016	July 2019
Financial Regulations	January 2016	July 2019
Risk assessment	April 2019	April 2020
Statement of internal control	to be considered by Council	
Reserves policy	to be considered by Council	

It would appear that the Council's Standing Orders and Financial Regulations have not been reviewed during the year. This should be addressed as soon as possible.

It would appear that there is no formal Reserves policy in place. I understand there were discussions between officers of the Council in this regard in the year but not documented. I would recommend a Reserves policy is considered which, at the least, can be used as a reference point for future consideration.

The meeting Minutes reviewed were of a good standard, clear and easy to read, and all decisions had been recorded appropriately. However, not all Minutes were initialled as a true record.

As part of the internal audit function, I would recommend that I receive the final Minutes from the Clerk. In this way, I am able to fully perform my role.

### **Accounting records and financial control systems**

The Responsible Financial Officer has the responsibility to determine on behalf of the Council -

- (a) the form of its accounting records and supporting records; and
- (b) its financial systems.

The accounting records must, in particular, contain –

- (a) entries from day to day of all sums of money received and expended by the Council and the matters to which its receipts and payments relate; and
- (b) a record of the assets and liabilities of the Council.

The financial control systems must include –

- (a) measures –
  - (i) to ensure that the financial transactions of the Council are recorded as soon as, and as accurately as, reasonably practicable;
  - (ii) to enable the prevention and the detection of inaccuracies and fraud, and the reconstitution of any lost records; and
  - (iii) to ensure that risk is appropriately managed;
- (b) identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers.

I am satisfied with the accounting records and financial control systems in place.

### **Payment controls**

Payment controls are in place including segregation of duty from incurring and recording the liability.

I would comment on the following:

The signatories initial the invoices when signing the cheques.

Subject to the above, I am satisfied with the payment controls in place.

### **Risk management**

The Council's Risk Assessment 2019 appears to be satisfactory subject to the below item:

On page 3 of the Risk Assessment 2019, in the section Financial Records, a member of the Council is described as the Council's internal Auditor whereas in fact he should be described as a Council member.

Subject to the above, I am satisfied with the 2019 risk assessment carried out.

**Budgetary controls**

A budget was prepared to set the annual Precept and details thereof/points covered at the Council's meeting on 9 January 2019 were recorded. However, the Minutes as appearing on the Council's website show the date as 9 January 2018 not 2019.

Also, in accordance with clause 17 of its Standing Orders the Responsible Financial Officer shall supply each quarter a statement to summarise:

1. The Council's receipts and payments for each quarter;
2. The Council's aggregate receipts and payments for the year to date;
3. The balances held at the end of the quarter being reported and which includes comparison with the budget for the financial year and highlights any actual or potential overspends.

Subject to the above, I am satisfied with the budgetary controls in place.

**Income controls**

Adequate income controls are in place; however, I wish to draw attention to the statement below:

I would comment, effective debt collection is an essential part of proper financial management and debt monitoring arrangements need to be followed more closely.

Subject to the above, I am satisfied with the income controls in place.

**Petty cash**

Petty cash is not held and so no checks are required.

**Payroll controls**

Payroll has been outsourced, therefore the risk of not keeping abreast of employment legislation and the possibility of payroll errors has been considered.

I am satisfied with payroll controls in place.

**Asset controls**

The fixed asset register for the year ended 31 March 2019 was reviewed at the Council meeting on 1 April 2019, subject to amendment, the register was approved.

I carried out a physical inspection of certain fixed assets to my satisfaction and I am also satisfied with the asset controls in place.

**Bank reconciliations**

All bank accounts are regularly reconciled and periodically a member of the Council will formally certify his review.

I am satisfied with arrangements regarding bank reconciliations.

**Year-end procedures**

The Responsible Financial Officer is very familiar with the various deadlines and procedures that are necessary to fulfil the Council's duties in this regard.

I am satisfied with the year-end procedures in place.

**Summary**

I am pleased to report that, within the areas checked as abovementioned, and my recommendations accordingly, it is my opinion that Silverton Parish Council has effective systems of internal control in place, which as a result, supports the lowering of risk to the Council.

I would wish to thank the Clerk/Financial Responsible Officer for all her assistance during the course of the audit.

James Dishman FCA  
29 May 2019