

*Parish Council
Internal Audit Services*

Final

MILDENHALL PARISH COUNCIL

INTERNAL AUDIT

ANNUAL REPORT 2017/2018

SEPTEMBER 2018

1. Introduction

- 1.1 At the request of the Parish Council's Responsible Financial Officer (RFO), an internal audit at Mildenhall Parish Council an audit was undertaken in March and May 2018 for the year ended 31st March 2018.

2. Background & Significance

- 2.1 Regulation 5 of the Accounts and Audit Regulations 2015 sets out the requirement for local authorities to maintain an adequate and effective system of internal audit of their accounting records and control systems. A key element for effective internal audit is its independence from the financial management function of the council.
- 2.2 As your independent Auditor I am required to submit an annual report including an opinion on the Council's system of internal controls.

3. Objectives & Scope

- 3.1 To ensure that the Council has suitable controls in place to ensure the accurate recording of income and expenditure, and the proper operation of those controls.
- 3.2 In addition, to ensure that the Council operates an effective budgetary control system.
- 3.3 In order to achieve the above objectives, the following tests were conducted:
- A sample of payments were verified against official orders, prior approval and council minutes, authorised signatories and accounting records (including the correct treatment and coding of VAT)
 - A sample of income records were verified to invoices and / or official receipts, bank statements and accounting records.
 - A sample of petty cash disbursements were verified against prior approval and accounting records (including the correct treatment and coding of VAT)
 - A review was carried out of the quarterly VAT returns, and agreement to supporting documentation and accounting records.
 - A sample of salaries and wages payments were checked to scales of pay, authorised timesheets, up-to-date pay rates and accounting records.
 - A review was conducted of the budgetary control process and regular monitoring and reporting of variances.
 - A review of the regular completion of bank reconciliations throughout the 2017/18 financial year.
 - A review of the year-end procedures and accounts.

4. Detailed Findings

- 4.1 The controls indicated in discussion, and as confirmed through sample testing, are adequate for the purpose intended and, provided these are operated continuously, are considered to be appropriate and effective.

<u>Internal Control</u>	<u>Findings</u>
<p>Appropriate Bookkeeping</p>	<p>The financial records have been maintained and are up to date.</p> <p>The financial records are automated and are balanced on a regular basis.</p>
<p>Standing Orders and Financial Regulations, Payments Controls</p>	<p>The Council has adapted the model financial regulations to suit its individual circumstances, and these were last reviewed by the full Council on 26th January 2017.</p> <p>These have not therefore been reviewed in the audit year.</p> <p>Internal Audit therefore recommends that a review of the Financial Regulations is undertaken at the earliest opportunity and Council ensures that this is done on an annual basis.</p> <p>The Council has appointed a Responsible Financial Officer with specified duties.</p> <p>Internal Audit sampled 36 invoice payments randomly across a range of services from the full financial year to 31st March 2018. The values of these payments, including VAT, were £89,532-37. Among the general payments were those for tree surveys, gazebo, contract monies, street lighting, football club grant, CCTV, swing repairs, Optoma Lumen projector, locum clerk services, final account contract supervision, and instalment on West Row lighting. Payments are supported by invoices which are appropriately authorised through payment lists submitted to Council.</p> <p>All VAT on payments was identified and reconciled to the final income and expenditure account for the year.</p> <p>There was no expenditure under Section 137 during the year.</p>

<u>Internal Control</u>	<u>Findings</u>
Risk Management Arrangements	<p>Minutes for the year were reviewed and did not indicate any unusual financial activity.</p> <p>The finance risk management assessment was last reviewed by full Council on 26th January 2017.</p> <p>Internal Audit therefore recommends that this should be reviewed by the council as soon as possible in the current year and performed on an annual basis in future.</p> <p>Internal financial controls are documented.</p> <p>Insurance cover was reviewed and generally considered to be appropriate and adequate.</p>
Budgetary Controls	<p>The Council prepared an annual budget for the following year in support of its precept, and this was approved by council on 25th January 2018.</p> <p>Actual expenditure against the budget was not reported to Council after June 2017.</p> <p>Internal Audit therefore recommends that this is undertaken regularly through the year, at least quarterly.</p> <p>No significant unexplained variances from the budget were identified.</p>
Review of Internal Audit and Trust Responsibilities	<p>The Council reviewed Internal Audit through the Establishment and Policy Committee and this was approved at full council on 29th June 2017.</p> <p>The Council has Trust responsibilities for the Mildenhall Recreation Ground and discharges these as a part of their normal council duties. The Recreation Ground and equipment on it are maintained by Council staff and covered by insurance via the Council Insurance Policy.</p> <p>The Annual Update required by the Charity Commission was submitted on 10th January 2018.</p>

<u>Internal Control</u>	<u>Findings</u>
Income Controls	<p>The council accounts for income from Allotments, Burials and Lettings.</p> <p>The council maintains allotments on three sites, 32 at Riverside, 19 at Lark Road and 36 at The Gravel. The total value of Allotment Income recovered over the year was £4,165.47. Allotments were traced from the rental through to both the accounts and the bank. Allotment rents were last reviewed by council on 30th March 2017.</p> <p>All Income was found to be properly recorded and promptly banked.</p> <p>Entries for the financial year in the Register of Burials were confirmed from appropriate documentation, and burials were then traced through income records to confirm the receipt of relevant fees to the accounts and the bank.</p> <p>There were 41 burials in the year and the total value of burial fees received was £9,765-50. Burial fees were reviewed at council on 29th March and an increase of 20% agreed from 1st April 2018.</p> <p>All burial records and fees, for interments, exclusive rights, and memorials were found to be accurate and complete.</p> <p>The council also operates hall lettings, with those for Suffolk County Council being pre-booked and non chargeable. Additionally there are lettings to other individuals and organisations and these were sample tested.</p> <p>A sample of 36 lettings was selected from across the year. Internal Audit tested these lettings, with a total invoice value of £4,005-06, from the diary through invoices to the accounts and the bank.</p> <p>With regard to the large cash balances which the Council still holds, they are still researching appropriate sources of investment which will yield some return on the funds.</p> <p>Security controls over cash were confirmed as being adequate and effective.</p>

<u>Internal Control</u>	<u>Findings</u>
Petty Cash Procedures	<p>All petty cash spent is recorded and supported by VAT invoices/receipts.</p> <p>The total of Petty Cash expenditure reimbursed through the accounts for the year was £484-37. A float of £200 is maintained.</p> <p>Petty cash expenditure is reported in totality to each Council meeting and the petty cash book is available for perusal by the Councillors when the reimbursements are approved.</p> <p>Reimbursement of petty cash is carried out on a regular monthly basis.</p>
VAT Returns	<p>VAT quarterly returns were checked to the supporting accounting records (Financial Summary data), and reconciled to the position on Vat at the year end.</p> <p>The Consolidated Balance Sheet figure was consistent with the outstanding quarterly return balance at the end of the year.</p>
Payroll Controls	<p>Salaries paid agree with those approved by the Council.</p> <p>Internal Audit tested four months payroll expenditure for all staff for May, August, and November 2017, and February 2018, agreeing the rates for each. Additionally all payments for those months were confirmed and traced through the accounts.</p> <p>All payments made to the Clerk are approved by the Council.</p> <p>PAYE/NIC has been properly operated by the Council.</p>
Asset Controls	<p>The Council keeps an asset register of all material assets owned which has not yet been updated for the major contract works recently completed. This will be done when the works have finally been signed off.</p>

<u>Internal Control</u>	<u>Findings</u>
Bank Reconciliations	<p>Bank reconciliations are carried out for each account on a monthly basis, generated from the accounting system, and agreed.</p> <p>Three months reconciliations were tested, July and November 2017, together with the year end (March 2018).</p> <p>No unexplained balancing entries were identified in the reconciliations.</p>
Year-end procedures	<p>Year-end accounts are prepared on the correct accounting basis.</p> <p>Accounts agree with, and are generated from, the cash book.</p> <p>There is an audit trail from the detailed financial records through to the computerised accounts.</p> <p>Debtors, creditors, and advance payments have been properly recorded.</p> <p>Internal Audit examined the final accounts and agreed the balance sheet and final income and expenditure account with the detailed records of account.</p>

5. Opinion

- 5.1 The Internal Audit opinion, based on the review of records and documentation and the testing carried out on the samples selected, is that appropriate financial controls exist at the Council, and have been operating effectively throughout the year. Implementation of the recommendations in the above report will strengthen those controls in place.
- 5.2 The contents of the draft report were considered and accepted by the council without further comment, and this is now issued as the final report.

6. Acknowledgements

- 6.1 I would like to thank all staff for their help and co-operation during the course of this review.