

Seaton Valley Council 2015/16 – Internal Audit

REPORT TO COUNCIL on 27th APRIL 2016

Internal Audit Summary

Work Carried Out

Audit testing has been carried out in accordance with the suggested approach contained in the March 2014 edition of “Governance and Accountability for Local Councils – A Practitioners Guide (England), in the areas detailed below.

Areas of Control:

Previous External and Internal Audit Reports
Proper bookkeeping
Standing Orders and Financial Regulations
Risk Management Arrangements
Budgetary Controls
Income Controls
Petty Cash Procedures
Payroll Controls
Assets Controls
Bank Reconciliation
VAT claims
Year-End Procedures

Conclusion

The audit testing included examination of documents relevant to amounts and disclosures in the accounts and notes. This evidence was sufficient to give reasonable assurance that the accounts and notes are free from material misstatement as well as demonstrating that there are adequate and effective controls in place.

The audit programme used to review the areas of control shown above is attached along with the detail of the testing carried out.

In my opinion the audit work carried out fairly represents the situation of Seaton Valley Council for the year ended 31 March 2016.

There are no matters to draw to the attention of the Parish Council.

I would like to thank all of the staff for their assistance and for the quality of documentation provided.

Malcolm Wilkinson

Internal Auditor

14th April 2016

INTERNAL AUDIT SERVICE FOR SEATON VALLEY COUNCIL

AUDIT PROGRAMME – 2015/16

I certify that I have carried out the tests detailed below in accordance with the suggested approach contained in the March 2014 edition of "Governance and Accountability for Local Councils – A Practitioners Guide (England)". Where an entry has been made in column 4, please refer to covering report.

Signed: Malcolm Wilkinson Date: 14th April 2016

1 Internal Control	2 Tests	3 Yes/No/N/A	4 Comments	WP Reference
Previous Internal Audit Report	Do the minutes record that Council has considered the Internal Audit Report for the previous year and the matters arising addressed?	y		1
Proper bookkeeping	Is the cashbook maintained and up to date?	y		2
	Has verification to the bank statement occurred?	y		2
	Is the cashbook arithmetically correct?	y		2
	Is the cashbook regularly balanced?	y		2
Standing Orders and Financial Regulations	Has the Council formally adopted Standing Orders and Financial Regulations?	y		3
	Are SO's and FR@s based on models available?	y		3
	Has a Responsible Financial Officer been appointed?	y		3
	Have items or services above a de minimis amount been competitively purchased?	n/a		3
	Are payments in the cashbook supported by invoices and have they been authorised and minuted?	y		3
	Has VAT on payments been identified, recorded and reclaimed?	y		3
	Is Section 137 expenditure separately recorded and within statutory limits?	n/a		3
	Are staff aware of SO's and FR's	y		y
Risk Management Arrangements	Does a scan of the minutes identify any unusual activity?	Not yet done		4
	Do the minutes record the Council carrying out an annual risk assessment?	y		4
	Is insurance cover appropriate and adequate?	y		4
	Are internal financial controls documented and regularly reviewed?	y		4
Budgetary Controls	Has the Council prepared an annual budget in support of its precept?	y		5

	Is actual expenditure against the budget regularly reported to Council?	y		5
	Are there any significant unexplained variances from budget?	n		5
Income Controls	Is income properly recorded and promptly banked?	y		6
	Does the precept recorded in the cashbook agree to Northumberland County Council's notification?	y		6
	Review carried out of other income particularly where it is unusual or cash-based.	y		6
	Are security controls over cash adequate and effective?	y		6
	Are there controls in place for where cash income events may take place	n/a		n/a
Petty Cash Procedures	Is all petty cash spent recorded and supported by VAT invoices/receipts?	y		7
	Is petty cash expenditure reported to Council?	no		7
	Is petty cash reimbursement carried out regularly?	y		7
	Is there an established process and independent review in place?	y		7
Payroll Controls	Do salaries paid as well as other variations agree with those approved by Council?	y		8
	Do all employees have contracts of employment with clear terms and conditions?	y		8
	Are other payments to the Clerk reasonable and approved by Council?	y		8
	Has PAYE/NIC been properly operated by the Council as an employer?	y		8
Assets Controls	Does the Council keep an Assets Register of all material assets owned?	y		9
	Is the Register up to date?	y		9
	Are the assets verified/checked on an agreed basis?	y		9
	Do asset insurance valuations agree with those in the Register?	See notes		
Bank Reconciliation	Is there a bank reconciliation for each bank account?	y		10
	Is the bank reconciliation carried out regularly on the receipt of statements?	y		10
	Are there any unexplained balancing entries in any reconciliation?	no		
VAT claims	Check process for making individual claims	y		11
	Check calculation of vat claim	y		11
	Check entries to cash book	y		11
	Review regularity of claims	y		

Year-End Procedures	Are year-end accounts prepared on the correct accounting basis?	y		12
	Do accounts agree with the cashbook?			
	Is there an audit trail from underlying financial records to the accounts?	y		
	Where appropriate, have debtors and creditors been properly recorded?	y		3

Working Paper 1

Issues Arising to Committee on 29th July 2015 - BDO has raised one issue in relation to the 2014/15 audit. It noted that the Council's loose leaf minutes are not consecutively numbered, and that individual pages are not initialled by the person signing the minutes. The Clerk has taken immediate steps to rectify this and the remedial action is still to be reviewed at audit.

Internal Audit report dated 22nd April 2015 – made 2 recommendations re the use of Excel and the involvement of Councillors in the absence of the Town Clerk. This was reported to committee on the 29th July 2015. This has been discussed satisfactorily with the Clerk.

Working Paper 2

The cash book was up to date as at 13 November. Further testing will be conducted during the remainder of the financial year.

The bank reconciliation had been carried out up to, the last statement, 31st October 2015.

A bank reconciliation was witnessed on the 28th January with a balance of £150,470.37.

The format of the cash book s/sheet was checked and formulae verified.

The various spreadsheets were checked for arithmetical accuracy, on the 28th January 2016, and this was once again satisfactory.

Working Paper 3

Invoices randomly selected for testing:

Ref	Payee	Cheque	Code	Service	Net £	Vat £	Total £	Notes
22	Viking	300915		Stationery	220.23	33.25	253.48	
42	One Call	300936		Air cond	289.00	57.80	346.80	
67	NWA	301061		Utilities	69.99		69.99	
95	S/S and O/H	301073		Leaflets	200.00		200.00	
136	Aug Nest	Dd 19.8.15		Pensions	805.50		805.50	
186	Oct Nest	Dd 20.10.15		Pensions	805.50		805.50	
21	Community	300914		Insurance	1660.09		1660.09	

	First							
209	Canny Creative			Plan boards	222.00		222.00	
238	Neil Cairns Gardening Services			Allotment related			640.00	
295	Wybone			Litter bins	4999.85	999.97	5999.82	
303	NCC			Election costs	6100.04	786.96	6887.00	
304	NCC			payroll	6859.62	2.73	6862.35	

All of the above invoices were authorised, satisfactorily checked to the cash book and bank reconciliation records.

At the final audit visit for 2015/16, which was on the 14th April 2016, a quick review of transactions that had taken place since the previous visit on the 28th January, and all were found to be correct and the cash book up to date. The transaction references were 334, 365, 377, 395, 401, 410, 415 and 416 re expenditure items and 72, 75 and 89 for income items. Transaction no 72 relating to income of £500 was a contribution for spending in 2016/17 – this has suitably been reflected in the accounts.

Any payments over £250 are shown on the web site – designated area seen within the expenditure area of the site – entries were test checked and arrangements were found to be satisfactory.

There has been no S137 expenditure as expenditure, so far, has been covered adequately within existing arrangements.

Standing Orders and Final Regulations have been reviewed, still largely based upon the NALC model, and were reported to Council on the 30th September 2015. The web site, under Governance, will show the detail of the documents – both documents seen and both with a review date of September 2017, unless other necessary situations occur.

The review of Risk Management/Assessments will be going to Council in March 2016 along with the current Asset Register.

Working Paper 4

Insurance Policies - Insurance policy paid 1st May 2015 and the cheque was presented on 21st May. Due to the timing of Simon's arrival there was no time to review the policy limits – this will take place prior to the arrival of the next renewal – amounts may need to be revised following the review of the assets register prior to 2016/17.

The Risk Register and report were submitted to council on the 23rd March 2016 and suitable arrangements are in place.

Simon has carried out a review of the insurance cover, and where manageable increases permit, intends to increase cover for such items as the Christmas lights, bus stops and play parks – the policy for 2016 has been seen and revaluations have indeed taken place e.g. buildings and play areas. Satisfactory arrangements were seen to be in place.

Working Paper 5

The report covering the budget/precept was verified to the figures in the Budgetary Control sheet in Excel.

Subsequent budget changes have been verified to Council minutes up to the 31st October. Satisfactory arrangements covering this area exist.

The budget to actual was reviewed on the 28th January to look at any significant variances and satisfactory explanations were provided. The main areas, relating to expenditure, were the budgets for Playgrounds (equipment has been ordered for £15k with £20k to carry forward) and Village Plans (agreed to carry forward). With regard to income the variance on the premises recharge was as a result of the planned office sharing with NCC not taking place as first thought. Satisfactory arrangements covering this area of testing exist.

Working Paper 6

The two precept payments of £242,585.00 were received on the 14.4.15 and 15.9.15. These were verified with the cash book and bank reconciliation.

Following a review of the allotments spreadsheet the revised process is now in place and ready for the budget onwards for 2016/17. See separate document. Satisfactory arrangements are in place.

Included within the rental income - £450 each per month, for the 2 flats above the offices, there is an additional £25 per month to cover the utility charges – Simon will take an annual meter reading and deduct this from the £300 received.

There is a management charge of £90 per month and the appropriate entries in both the income and expenditure side of the cash book.

Totals to date for the flats verified to the cash book.

Refunds to both tenants, relating to monies collected during 2014/15, were made as shown in items 12 and 13 in the 2015/16 cash book.

The tenancy agreements are held with the management company and a request has been made by Simon to obtain a copy of these. At the time of the final audit visit for 2015/16 these were yet to be received and as such this will be revisited during the review of 2016/17.

Working Paper 7

The balance shown in the cash book as at 28th January was £379.19 and this was verified to the contents of the petty cash tin. Invoices totalled £208.55 and cash held of £170.64. An advance into petty cash of £300 was made on the 7th January which was verified into the cash book as item 291. Receipts were checked for reasonableness – keys, office supplies, refreshments, window cleaning and car mileage. There is to be a new procedure for car mileage reimbursement from February as arrangements are in place for payment to be made by NCC.

Simon reconciles petty cash on a regular basis – and reimbursements/entries into the cash book on a regular (monthly) basis and allocations take place.

Working Paper 8

Contracts of employment seen for all 4 employees and salary payments verified to the October remittance from Northumberland County Council. Voucher 185 was verified into the cash book and bank account date 21st October 2015.

Officer	Contract £	Monthly £	notes
Simon	£XXXXXX	£XXXXXX	
Barbara	£XXXXXX	£XXXXXX	
Lorraine	£XXXXXX	£XXXXXX	Pro rata for 24 hours
Graham	£XXXXXX	£XXXXXX	Pro rata for 24 hours

The payroll is administered by Northumberland County Council.

Barbara, with effect from 1st January 2016, is now a permanent employee and as such pension contributions will be made – January 2016 payroll detail amounts reflect those audited amounts from October. January pension payments made for Barbara.

Testing carried out is satisfactory.

Working Paper 9

Insurance policy paid 1st May 2015 and the cheque was presented on 21st May. Due to the timing of Simon's arrival there was no time to review the policy limits – this will take place prior to the arrival of the next renewal – amounts may need to be revised following the review of the assets register prior to 2016/17.

Simon has carried out a review of the insurance cover, and where manageable increases permit, has increased cover for such items as the Christmas lights, bus stops and play parks – this was checked when the next policy renewal was received and satisfactory arrangements were in place.

The review of Risk Management/Assessments will be going to Council in March 2016 along with the current Asset Register.

The Asset Register and report went to Council on the 23rd March 2016. Entries from the register relating to the 2015/16 accounts were test checked to the cash book and verified. These were Asset Register references SVC15 and SVC316, which were cash book references 323 and 172 respectively. Suitable arrangements are in place.

Working Paper 10

The bank reconciliation is carried out on a regular basis and had been carried out up to, the last statement, 31st October 2015. The reconciliation was verified as being correct.

A bank reconciliation was also witnessed on the 28th January with a balance of £150,470.37.

Working Paper 11

The VAT claims are dealt with on a quarterly basis with the last being carried out on the 7th October 2015 for £11,035.10. This was verified to the cash book. This amount was received on the 26th October.

The process of claiming Vat and carrying out a bank reconciliation is satisfactory following audit work and this area will be checked again during the process of the 2015/16 audit.

Subsequently a further VAT claim, covering the period 1st October to 31st December was reviewed and was found to be satisfactory. A claim for £8,538.09 was made on the 6th January 2016 and the income is recorded was received as item 61 on the 22nd January 2016 in the cash book.

Working Paper 12

A visit is planned for the 14th April 2016 in order to look at the Annual Return Statement and review the figures from the various accounting records.

The internal audit report is required for the 19th April and the intention is to complete the report on the 14th when the review of the Annual Statement takes place.

Based upon the work carried out during the audit there are satisfactory arrangements in place for the completion of the year end accounts. The accounts etc. are to be taken to the Council meeting on the 27th April 2016.