

### Seaton Valley Council 2016/17

#### 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 2017.

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

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

Malcolm Wilkinson

Internal Auditor

19<sup>th</sup> April 2017

## INTERNAL AUDIT SERVICE FOR SEATON VALLEY COUNCIL

## AUDIT PROGRAMME – 2016/17

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: 19<sup>th</sup> April 2017

1 Internal Control	2 Tests	3 Yes/No/N/A	4 Comments	W P 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?	n		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	y		6

## APPENDIX 8A

	particularly where it is unusual or cash-based.			
	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?	y		
	Is there an audit trail from underlying financial records to the accounts?	y		
	Where appropriate, have debtors and creditors been properly recorded?	y		

### Working Paper 1

Both the internal and external audit reports were reported to Council on the 27<sup>th</sup> April and the 28<sup>th</sup> September 2016 respectively with no issues, of materiality, raised on either report.

### Working Paper 2

The cash book was up to date as at my audit visit of 8<sup>th</sup> March 2017. Further testing will be conducted during the remainder of the financial year.

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

### Working Paper 3

Invoices randomly selected for testing:

Ref	Payee	Vat £	Total £	Notes
433	Canny		345.00	7/3
421	Kompan	8708.11	43540.53	7/3
409	NCC	140.00	700.00	14/2
387	Grace Supplies	24.69	148.16	2/2
368	Neil Cairns		390.00	17/1
361	Kompan	24.60	147.60	17/1
238	J Smith and Son	38.40	230.40	4/10
171	Alison June Print	8.40	50.40	15/8
151	Active Northumberland	1111.25	6667.50	1/8
141	British Gas	119.82	718.93	26/7
120	ITPS	22.57	135.42	22/7
46	Dove Building Materials	34.94	174.72	29/4

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

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 30<sup>th</sup> 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 council are providing a new play area at Milfield Avenue play area (£75,200) and a refurbishment for the Crescent play area (£20,000). The Milfield Avenue was to be met with approximately 50% S106 monies and the balance net by the Council. Kompan are being used for this work on the back of being the preferred contractor for Blyth Town Council. As a note, another nearby town council carried out a procurement exercise with Kompan and 3 others and although Kompan were not the cheapest, there was only a very small difference in total costs, in a similar price bracket.

### Working Paper 4

Insurance Policies - Insurance policy paid 14th April and confirmation of payment of £2,561.40 was seen on the bank statement. This is part of a 3 year insurance plan. Prior to this new policy Simon reviewed policy limits, and the cover for Play Areas and buildings has increased.

The Risk Register and report are to be submitted to council on the 20th March 2017 and suitable arrangements are in place.

### Working Paper 5

The budget report to committee was seen for the 1<sup>st</sup> March 2017 and arrangements are satisfactory. The budget to actual variances were discussed and all explanations satisfactory.

### Working Paper 6

## APPENDIX 8A

The two precept payments, for 2016/17, of £254,540.00 were received on the 15.4.16 and 12.9.16. These were verified with the cash book and bank reconciliation.

The precept for 2017/18, of £531,450, has been submitted to NCC on the 25<sup>th</sup> January 2017, following Council approval.

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. The income up to November was seen in the cash book and verified to the bank.

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

Totals to date, 14<sup>th</sup> December 2016, for the flats verified to the cash book.

The tenancy agreements are held with the management company and a copy of each agreement has been seen.

The income due in respect of allotments for 2016/17, from the allotment spreadsheet, at the time of audit testing, was £14,094.27 compares with the cash book value of £14,084.27. The new system to control the allotment debit, brought in for this financial year is working very well.

Other income to the Council has been test checked into the cash book and arrangements are satisfactory.

Ref	From	Amount £	Service	notes
66	Carltons Equine	100.00	Advert	Satisfactory
60	Elsdon Avenue Church	250.00	Advert	Satisfactory
32	Big Lottery Fund	9460.00	Awards For All	Satisfactory

### Working Paper 7

The petty cash imprest account was reconciled on the 1<sup>st</sup> February 2017 to the cash book. The amount of £352.73 was reconciled by cash of £255.96 and vouchers of £96.77.

The imprest account was again reconciled on the 19<sup>th</sup> April, which in turn verified the year end amount of £297.20, which is shown in the final accounts for 2016/17.

### Working Paper 8

Salary payments verified to the November remittance from Northumberland County Council. Voucher 291 was verified into the cash book and bank account date of 14<sup>th</sup> November 2016.

Officer	Scp	Contract £	Monthly £	notes
Simon	40			
Barbara	16			Pro rata for 22 hours
Lorraine	32			Pro rata for 24 hours
David	30			Pro rata for 24 hours

The payroll is administered by Northumberland County Council.

The payment to the pension administrators, NEST, was verified, voucher 292, and seen on the bank statement date of 16<sup>th</sup> November 2016.

The January and February 2017 salary payments were checked against the audited November payment and found to be correct.

### Working Paper 9

A report has been report for consideration by committee on the 20<sup>th</sup> March 2017 regarding asset control. Adequate arrangements are in place.

We jointly reviewed the asset register and insurance schedule and the recommendation is for a number of areas to be removed from the insurance schedule.

Insurance Policies - Insurance policy paid 14th April and confirmation of payment of £2,561.40 was seen on the bank statement. This is part of a 3 year insurance plan. Prior to this new policy Simon reviewed policy limits and the cover for Play Areas and buildings has increased.

### Working Paper 10

The bank reconciliation is carried out on a regular basis and had been carried out up to the 30<sup>th</sup> November 2016. The reconciliation was verified as being correct.

The bank reconciliation for the period ending December 2016 has been seen and the final reconciliation for the year end was verified during my audit visit on April 19th 2017.

### Working Paper 11

The VAT claims are dealt with on a quarterly basis with the last being carried out on the 3rd October 2016 for £6,735.60. This was verified to the cash book. This amount was received on the 21st October.

The VAT claim for the period 1/10 to 31/12/16 for £3,547.70 was received and entered into the cash book on the 15/01/16.

The final VAT claim, period ending 31<sup>st</sup> March 2017, for £29,432.64, was verified to the accounts.

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 2016/17 audit.

### Working Paper 12

Based upon the work carried out during the audit there are satisfactory arrangements in place for the completion of the year end accounts.