

Microshade Business Consultants Ltd

INTERNAL AUDIT REPORT for Lytchett Minster and Upton Town Council

YEAR TO 31 MARCH 2018

23 May 2018

Assets and Investments

TASK	Risk	COMMENT
ENSURE THERE IS AN INVENTORY OR REGISTER OF ALL COUNCIL ASSETS.	Low	All Assets shown in revised asset register
BASIS OF ASSET VALUATION.	Low	Cost
CHECK ASSETS CORRECTLY INSURED.	Low	Assets correctly insured
CHECK DOCUMENTATION FOR ALL LEASED ASSETS.	Low	Photocopier agreement bought out in year. New photocopier purchased.
CHECK INVENTORY/REGISTER UPDATED FOR ALL NEW ASSET PURCHASES.	Low	New Assets added at cost

Income

TASK	Risk	COMMENT
<u>1. CASH INCOME</u>		
CHECK PROCEDURE FOR COLLECTING AND RECORDING CASH INCOME	Low	Majority of income received by cheque and BACS.
CHECK CASH BANKED AND FREQUENCY	Low	Banked weekly.
CHECK ANY CASH BALANCES UNBANKED	Low	No outstanding cash balances
<u>2. CREDIT INCOME</u>		
CHECK PROCEDURES FOR RAISING INVOICES	Low	The number of invoices raised are low and the procedures are good
CHECK ALL NECESSARY INVOICES RAISED	Low	All invoices raised
CHECK DEPOSITS	Low	None
<u>3. CREDIT CONTROL</u>		
CHECK RESPONSIBILITY FOR COLLECTING SUMS DUE TO COUNCIL		Town Clerk/RFO
REVIEW DEBTOR BALANCES	Low	Debtor records maintained manually, all unpaid invoices at 31 March 2018 confirmed.
<u>4. BAD DEBTS</u>		
REVIEW REASONS FOR NON-PAYMENT	N/a	
CHECK ALL REASONABLE STEPS TAKEN TO COLLECT DEBTS	N/a	
<u>5. CREDIT BALANCES</u>		

LOOK AT DEBTORS LIST AND IDENTIFY ANY OVERPAYMENTS	N/a	
ASSESS THE REASON FOR THEIR EXISTENCE	N/a	
<u>5. ACCURACY</u>		
CHECK THAT VAT CORRECTLY TREATED – IF APPLICABLE	Low	N/a
MAKE SURE ACCOUNTS IDENTIFY INCOME UNDER RELEVANT HEADINGS	Low	All income correctly allocated.

Cash and Bank

TASK	INIT.	COMMENT
<u>BANK RECONCILIATION</u>		
CHECK BANK RECONCILIATION PERFORMED ON A MONTHLY BASIS AND AGREE ON ALL BANK ACCOUNTS	Low	Bank Reconciled on a monthly basis
REVIEW BANK RECONCILIATION AND ENSURE NO PAYMENTS OR RECEIPTS ARE BEING CARRIED FORWARD FOR A NUMBER OF MONTHS	Low	No unpresented items older than March 2018.
NOTE ANY UNIDENTIFIED BANKINGS	Low	No Unidentified Bankings

Payroll

TASK	Risk	COMMENT
CHECK CONTRACTS OF EMPLOYMENT FOR ALL STAFF.	Low	All staff have contracts of employment
CHECK ALL STAFF ON PAYROLL AGAINST CONTRACTS OF EMPLOYMENT. IF ON PAYROLL BUT NO CONTRACT OF EMPLOYMENT – WHY?	Medium	All staff on payroll have a contract employment
CHECK GROSS PAY FOR EACH EMPLOYEE IS AT CORRECT RATE.	Low	All rates checked and agreed and paid in accordance with the Revised NJC pay scales.
CHECK OVERTIME AUTHORITY.	Medium	All time sheets correctly signed and authorised
CHECK TIME SHEETS – IF USED, AGAINST PAYROLL.	Medium	Time sheets checked against payroll
CHECK PAYE/NI PAID OVER TO INLAND REVENUE BY CORRECT DATE.	Low	All Tax/NI paid over by correct dates
CHECK ANY SICK PAY IS AS LAID OUT IN COUNCIL EMPLOYMENT POLICY.	Low	All sick pay as per council policy
CHECK STATUTORY MATERNITY PAY AND STATUTORY SICK PAY DEDUCTIONS.	Low	Not applicable
PRODUCTION OF PAYROLL	Medium	In a small organisation the separation of duties on the production of payroll is difficult to achieve. Recommend that the Council considers outsourcing the production of the Payroll to a third party organisation, thus ensuring the separation of duties.

Supplier Invoices

TASK	Risk	COMMENT
CHECK PURCHASE ORDERS .	Medium	Manual pre-numbered order book. Orders raised for suppliers and copy retained in order book.
CHECK EXPENDITURE CODING – CORRECT BUDGET HEADING AND COST CENTRE.	Low	All supplier invoices coded to Budget Headings
CHECK INVOICE CORRECTLY PASSED FOR PAYMENT – PRICE CONFIRMED – DELIVERY CONFIRMED.	Medium	Sample checked supplier invoices over £500. All paid invoices are approved and VAT in correctly accounted, Note: Insurance Premium Tax of £310.93 on Zurich Invoice 26607308 has been recovered in error as VAT.
CHECK OLD CREDITORS AND ASCERTAIN WHY STILL UNPAID.	Low	No old unpaid supplier invoices
INVESTIGATE ANY OVERPAYMENTS TO SUPPLIERS	Low	No overpaid suppliers
CHECK LIST OF PAYMENTS APPROVED BY MEMBERS AGREES WITH BANK PAYMENT LIST	Low	Payment lists approved by members agree with cheque lists

General

TASK	Risk	COMMENT
PRINT AND CHECK TRIAL BALANCE – IF APPLICABLE.	Low	Trial Balance checked and agreed
AT LEAST TWICE EACH FINANCIAL YEAR – CHECK ACTUAL EXPENDITURE AGAINST ESTIMATES AND INVESTIGATE OVERSPENDS.	Low	Spend reviewed against budget at 31 March 2018, the spends are generally in line with Budget, overspends are covered by additional income.
IF VAT REGISTERED CHECK VAT CLAIMS ARE REGULARLY MADE.	Low	Council is not VAT registered. Section 33 claims are made on a monthly basis.
MAKE SURE THAT AMOUNT OF VAT RE-CLAIMABLE (OR PAYABLE), AGREES WITH SUM DECLARED ON THE BALANCE SHEET.	Low	Vat account is currently correct.
CHECK PRECEPT IS CALCULATED BY CORRECT BUDGET PROCESS.	Low	Budget setting routines are robust.
CHECK MEMBERS ARE REGULARLY PROVIDED WITH BUDGET INFORMATION	Low	Monthly budget monitoring reports are made available to members
AT BEGINNING OF FINANCIAL YEAR CHECK OPENING TRIAL BALANCE AGREES WITH PRIOR YEAR BALANCE SHEET	Low	Opening figures agree with annual return.

Minutes

TASK	COMMENT
CHECK QUORUM PRESENT FOR EACH FULL COUNCIL MEETING.	All in order
CHECK MINUTES PROPERLY SIGNED.	All properly signed
CHECK THERE IS A MINUTE AUTHORIZING PRECEPT LEVY ON DISTRICT COUNCIL.	Minute number 326/17 3267/17 January 2018
CHECK THERE IS A MINUTE AUTHORIZING ANY CHANGE IN SALARY.	All in order
CHECK STANDING ORDERS ADOPTED.	Standing Orders Reviewed July 2017, minute 128/17 Refers.
CHECK FINANCIAL REGULATIONS ADOPTED.	All in order – New Financial Regulations adopted 21/6/2016 Minute number 67/16
CHECK RFO APPOINTMENT.	All in order
ALL CHEQUES, BACS AND DIRECT DEBIT PAYMENTS HAVE BEEN INCLUDED ON PAYMENT SCHEDULE, APPROVED BY COUNCIL AND INCLUDED IN THE MINUTES	All payments authorised at various ordinary meetings of the Council
APPROVAL OF ANNUAL RETURN	June 2017 Minute number 77/17 and 78/17
INTERNAL AUDIT REPORT	Minute 344/17 March 2018
EXTERNAL AUDIT REPORT	Considered by Council 107/10/2017 Minute 227/17
APPOINTMENT OF INTERNAL AUDITOR	Review and Appointment 21/03/2017
REVIEW RISK ASSESSEMENTS	

Risk

TASK	COMMENT
CHECK RISK REGISTER	The Council has a risk register produced through the LCRS Risk Computer Package, which itemises Corporate and Operational Risks.
CHECK RISK ASSESMENT PRESENTED TO COUNCIL	Risk Assessment considered by council minute number 454/16
CHECK MINUTE THAT RISK ASSESMENT CONSIDERED BY COUNCIL	N/a
REVIEW IT SYSTEMS AND CHECK DATA BACK-UP AND DATA SECUTIRY	Council have all applications software remotely hosted, back-ups are taken on a four hourly/daily/weekly and monthly basis and retained in a secure off-site location.
FIDELITY INSURANCE	Fidelity guarantee reviewed and Increased to £500,000.