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Microshade Business Consultants Ltd

INTERNAL AUDIT REPORT for Lytchett Minster and Upton Town Council

YEAR TO 31 MARCH 2019

31 May 2019

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	Nonr.
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 2019 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 unrepresented items older than February 2019.
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. In the internal Audit Report for 2017/2018 the recommendation to outsource the payroll was made. An examination of the current year time sheets shows that the Town Clerk had a protracted period of sickness, as the Town Clerk is responsible both the payroll and accounting function, in the interest of business continuity, the council may wish to consider underpinning these processes by re-visiting the outsourcing question or looking to employ a part-time finance assistant as a contingency.

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,
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 2019, 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 regular 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 AUTHORISING PRECEPT LEVY ON DISTRICT COUNCIL.	Setting Budget and Approving Precept for 18/19 Minute number 326/17 3267/17 January 2018
CHECK THERE IS A MINUTE AUTHORISING ANY CHANGE IN SALARY.	All in order
CHECK STANDING ORDERS ADOPTED.	Standing Orders Reviewed May 2019, minute 19/18 refers.
CHECK FINANCIAL REGULATIONS ADOPTED.	Financial Regulations Reviewed 21/5/2019 minute 19/18 refers
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 2018 Minute number 76/18 and 77/18
INTERNAL AUDIT REPORT	Minute 79/18
EXTERNAL AUDIT REPORT	Considered by Council 16/10/2018 Minute 204/18
APPOINTMENT OF INTERNAL AUDITOR	Review and Appointment
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 ASSESSMENT PRESENTED TO COUNCIL	Risk Assessment considered by council minute number 18/19
CHECK MINUTE THAT RISK ASSESSMENT CONSIDERED BY COUNCIL	
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.

Lytchett Minster and Upton Town Council
Year Ended: 31st March 2019

Internal Audit Year End Close Down

<u>Audit Area</u>	<u>Comment</u>
Check all Opening Balances agree with prior year closing figures	Opening Balances agreed
All Bank Accounts properly reconciled	All Bank Reconciliations agreed
All Creditors and Accruals properly accounted for	All creditors and accruals correctly entered
All Income Received in Advance properly accounted for	No Income in advance
All loan accounts properly reconciled and agreed	Not applicable.
All Section 106 transactions properly accounted for	All unused S106 receipts transferred to balance sheet as Earmarked Reserve.
Any Long Term Loans made or Long Term Investments removed from accounts and included in Fixed Asset Register	Not applicable
All Debtors and Prepayments properly accounted for	All debtors and prepayments properly accounted for
Vat due agreed to accounts	VAT return agrees with VAT debtor account.
Earmarked Reserves movements	Earmarked reserves properly allocated for future projects
Useable Capital Receipts Reserves properly maintained	Not applicable
Trial Balance	Trial balance produce and agreed
Income and Expenditure Account	Income Expenditure Account produced and reconciled to Annual Return
Balance Sheet	Balance Sheet prepared and reconciled to boxes 7 and 8 on Annual Return
Annual Return	Annual Return properly completed and reconciled to final accounts.

Assurance by Risk Area

The objective of the internal audit process is to provide the Council with assurance on the adequacy and effectiveness of its internal controls, processes and records to mitigate risks in the following areas:

Risk Area	Met	Partially Met	Not Met
The Council's Financial Regulations and Standing Orders specify appropriate systems of accounting and internal control.	Yes		
Payments are evidenced by valid authorised invoices and the treatment of VAT is correct.	Yes		
The Council has effective risk management processes in place to support the achievement of its objectives.	Yes		
The annual precept requirement resulted from an adequate budgetary process, performance against budget is monitored and reserves are appropriate.	Yes		
Income is received in full, properly recorded and promptly banked. VAT treatment is correct. Security of cash is effective.	Yes		
Petty Cash Payments are supported by valid receipts. Expenditure is approved and VAT appropriately accounted for.	Yes		
Salaries to employees and members allowances are paid in accordance with contracts and council approvals. Income Tax and NI deductions are properly accounted for.	Yes		
Asset registers are complete and accurate.	Yes		
The council's risks are properly insured.	Yes		
Regular bank reconciliations are completed and errors investigated and promptly cleared.	Yes		
Year-end accounts are prepared on the correct basis, agreed with the accounting records and supported by an adequate audit trail including the control of debtors and creditors	Yes		
The annual return is completed on time and submitted by the notified audit date	Yes		