

# DINNINGTON ST JOHN'S TOWN COUNCIL

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## Internal Audit Report 2018/19

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## **Background and Scope**

The Accounts and Audit Arrangements introduced with effect from 1<sup>st</sup> April 2015 require all Town and Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. The Council complied with the requirements in the terms of independence from the Council decision making process appointing Voluntary Action Rotherham to provide an internal audit function to the Council; this report sets out those areas examined during the course of our investigation of the Council's Accounts and Accounting processes for 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019.

## **Internal Audit Approach**

The audit has been conducted in accordance with the direction of the Council set out in the approved minutes of the Council meeting held on 11 June 2018. The audit is not designed to identify all significant weaknesses in the Council's systems but, if such weaknesses come to our notice during the course of our examination, which we think should be brought to your attention; we shall report them to you.

The responsibility for the prevention and detection of fraud, error and non-compliance with law or regulations rests with the Council. The audit should not be relied upon to disclose all material misstatements or frauds, errors or instances of non-compliance as may exist.

In accordance with guidelines set out by the Governance and Accountability for Local Councils – practitioners' guide, our work plan consisted of an investigation to review whether the systems of financial and other controls over the Council's activities and operating procedures are effective. Areas covered by the testing included;

- Bookkeeping
- Adoption and application of standing orders and financial regulations
- Payment control
- Risk management arrangements
- Budgetary controls
- Income controls
- Petty cash procedures
- Payroll control
- Asset control
- Bank reconciliation
- Year-end procedures

## **Overall Conclusion**

I am pleased to conclude and report that the Clerk/Responsible Financial Officer (RFO) has maintained a good standard of record keeping which has assisted in the audit process. I have confidence that the figures lifted into the Statement of Accounts for the financial year ended 31st March 2019 are accurate.



## **Detailed Report**

### **Bookkeeping**

The Town council use an excel cashbook which is maintained and kept up-to-date, this was previously done by an Accountant and more recently has been done by the Clerk/RFO. I spot checked a number of transactions and tracked them through to the bank statement. All invoices and receipts that were examined were recorded correctly. The cashbook is arithmetically correct and is reconciled regularly to the monthly bank statements.

### **Standing orders and financial regulations**

The model financial regulations were reviewed and approved on 11 March 2019. Existing standing orders were amended and approved on 9 July 2018. They were then updated to new Model Standing Orders and approved at Council on 10 September 2018.

### **Payment control**

All payments were evidenced with an invoice or receipt, they are authorised and approved at monthly meetings. They are recorded onto the excel cashbook and analysed into project headings. A regular back up is taken.

Where the Town Council incur expenditure for which they do not have specific legal power, they may do so under S.137 of the Local Government Act (LGA) 1972. A separate record of such items should be kept.

During the period of this report there was £1,133 of S137 expenditure, this was separately identified and is within the agreed spending limit.

Value Added Tax (VAT) is clearly and separately identified in a column on the cashbook with its own VAT summary. VAT is reclaimed from Her Majesty's Revenue and Customs (HMRC) quarterly. The amounts reclaimed agree to the cashbook. HMRC send payments for reclaimed VAT via BACS.

### **Risk management arrangements**

All financial activities are listed at monthly council meetings where they are verified/approved for payment. The monthly bank reconciliation is also verified and approved by council members. A review of the financial controls and systems are carried out annually by the Council in the form of a risk assessment, there were no changes to the risk management policy and this was presented and approved by the council on 15 October 2018.

An annual independent review of financial controls and systems is carried out in the form of an independent Internal Audit. The RFO and Assistant Clerk also carry out checks.

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The Town Council is insured with Zurich Municipal on a long-term agreement that is active until 2020; the insurance was reviewed and renewed in April 2019. All items on the asset register are insured. The Policy includes Employers, Public Liability and Fidelity guarantee, the levels are appropriate for the size of the council.

### **Budgetary controls**

The Council set their budget on an annual basis. Actual income and expenditure is monitored against budgeted income and expenditure quarterly using reports produced by the Accountant/RFO. Any variance is explained and approved by members.

The Town Council has earmarked reserves that are reviewed at the financial year-end and are clearly stated. The Town Council has invested part of the reserves into a high interest account to optimise income for the Town Council.

### **Income control**

Income received is recorded on the excel cashbook and is banked promptly in the Co-operative bank account. All cash is kept secure with satisfactory controls in place.

Rotherham Metropolitan Borough Council via BACS pays budgeted precept income in two instalments in the year, half in April and half in September. The precept amount recorded in the cashbook agrees with the Council's notification.

### **Petty Cash**

All of the petty cash transactions selected were supported by a receipt and were stamped with the date they were paid. There was no evidence of authorisation on the receipt but I was informed that these are authorised by the RFO who is the only key-holder to the petty cash. *I recommend using a petty cash voucher that can be authorised by the Clerk/RFO and signed by the recipient.* Petty cash is topped up when necessary and all expenditure is reported and approved at each council meeting.

### **Payroll controls**

There are eight regular paid staff and six casual staff employed. Contracts of employment are currently in place and have been signed by both parties. Job descriptions clearly identify the specific duties of the employees. The salaries and other payments made to the staff are reasonable and have been approved by the Council.

Pay as You Earn and National insurance contributions are calculated in house using Iris software. The RFO/Clerk pays the PAYE liabilities to the Inland Revenue on a monthly basis.

The Town Council has met its pension obligations with regard to Automatic Enrolment; they provide a pension scheme with Peoples Pension via B&CE.

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### **Asset control**

The Council maintains an Asset Register of all material assets owned or in its care. This is kept up-to-date and includes the acquisition cost of the assets; it is reviewed annually as part of the year-end processes.

### **Bank reconciliations**

Bank reconciliations are carried out monthly, the reconciliation consolidates all the Council's bank accounts. These are reviewed and approved at monthly meetings. There are no unexplained balancing entries.

### **Year-end procedures**

Accounts are prepared on an income and expense basis and a list of debtors and creditors was made available at the year-end. The accounts agree to the cashbook totals, there is an audit trail from underlying financial records to the accounts. The Town Council has no investments or outstanding leases and there are no tenancies in operation. The council has a public works loan, the balance owing at 31 March 2019 is £128,867.15.

The Parish Council has arrangements in place for the public inspection of records.



