

STELLING MINNIS PARISH COUNCIL - INTERNAL AUDIT REPORT 2017/18

Date of Report: 29/04/2018

To Stelling Minnis Parish Council,

Annual Audit of Financial Accounts - 2017/18 and Governance, Risk Management & Internal Control

Declaration of Interests

During 2017/18 I worked as the Internal Auditor for Folkestone and Hythe District Council which was then called Shepway District Council. The appointment as your internal auditor has been approved by the Head of Internal Audit for the East Kent Audit Partnership as the provider of internal audit services to the District Council. The work carried out on behalf of Shepway District Council will not and does not affect my ability to provide independent and objective assurance on the adequacy of the controls in place on behalf of Stelling Minnis Parish Council.

I am also Vice-Chairman of the Stelling Minnis Village Hall Management Committee.

Half Yearly Audit Results

The half yearly audit (usually undertaken in the autumn) was not carried out due to the change in internal auditor and also change in RFO. A half yearly audit is not mandatory and so this should not cause any concern to the Council.

Legislation

The Local Audit and Accountability Act 2014, the Local Audit (Smaller Authorities) Regulations 2015, Accounts and Audit (England) Regulations 2015 and Smaller Authorities (Transparency Requirements) Regulations 2015.

Annual Audit Results

The annual internal audit was carried out against the internal control objectives suggested in the Annual Governance and Accountability Return 2017/18. As a result the accounts have been checked and I am very pleased to report that these records show a true and fair view.

The ten internal control objectives are: -

- a) Appropriate accounting records have been properly kept throughout the year.
- b) Compliance with approved financial regulations, payments supported by invoices, all expenditure approved and VAT properly accounted for.
- c) Assessment of risks to achieving objectives and adequacy of risk management.
- d) The precept resulted from an adequate budgetary process, budget monitoring was effective and reserves were appropriate.
- e) Expected income was fully received, based on correct prices, properly recorded and promptly banked and the VAT on income was properly accounted for.
- f) Petty cash payments were properly accounted for by receipts, all petty cash expenditure was approved and VAT was appropriately accounted for.
- g) Salaries to employees and allowances to members were paid in accordance with approvals and PAYE and NI requirements were properly applied.
- h) Asset and investment registers were complete and accurate and properly maintained.
- i) Periodic and year-end bank reconciliations were properly carried out.

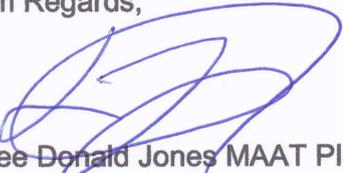
- j) Accounting statements prepared during the year were prepared on the correct accounting basis, agreed to the cash book, were supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.

The audit conclusion is that the system of internal control was robust during 2017/18. During the review, policies, procedures, records and processes were examined and there are a small number of recommendations / suggestions listed below which should be considered by the Council in order to help improve transparency, control and efficiency: -

- 1) The wording in the 'Stelling Minnis Parish Council - Accounts 2017/18' (Landscape Document) suggests that 'Total income' was £14,426.12. This could be misleading as this figure actually includes the balance brought forward figure £6,892.91 from 2016/17 which is not strictly 'income'. It is suggested that the wording is amended to 'total income plus balance brought forward' or to something similar.
- 2) The Asset Register used in the final accounts was last updated in January 2017. It is unlikely that the value of each of the assets has changed much but it is good practice to review this at least once a year.
- 3) The Council does not currently have a Risk Management Policy Statement in place. It has been confirmed that the Clerk has been working on one in preparation for adoption by the Council. This has been reviewed as part of this annual audit and it looks like a good starting point. The Council should adopt this or something similar to ensure compliance with control objective c) above. The Council should also add Data Protection as a medium risk with the new GDPR requirements which comes into force on 25/05/2018.
- 4) In accordance with best practice the Council should consider drawing up an engagement letter with the Internal Auditor which sets out the scope of internal audit for the coming year. Something similar to the one suggested appended to this report would satisfy requirements.
- 5) According to guidance any change in RFO or Internal Auditor should trigger a review of the effectiveness of Internal Audit. Over the past year the Council has appointed both a new RFO and Internal Auditor. On this basis the Council should review the effectiveness of the arrangements in place over the course of the next financial year. It is the view of your internal auditor that the arrangements are sound and will be improved further as soon as these recommendations have been implemented.
- 6) The Council should consider the merits of introducing where possible paperless accounting records. This could help make the annual audit process and the day to day management of Council finances much more efficient.

Should any councillor or officer have any queries or questions about the annual audit process then please do not hesitate to contact me leedonaldjones@gmail.com.

Warm Regards,



Mr Lee Donald Jones MAAT PIIA CIA
Internal Auditor to Stelling Minnis Parish Council