

Seaton Valley Council 2017/18

Internal Audit Summary

Work Carried Out

Audit testing has been carried out in accordance with the suggested approach contained in the March 2017 edition of "Governance and Accountability for Smaller Authorities in 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 2018.

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

18th April 2018

INTERNAL AUDIT SERVICE FOR SEATON VALLEY COUNCIL

AUDIT PROGRAMME – 2017/18 – Update notes from visit on 18th April 2018

I am in the process of carrying out the tests detailed below in accordance with the suggested approach within the current edition of Governance and Accountability for Local Councils. Please refer to the findings noted below covering the work carried out to date.

Signed: Malcolm Wilkinson Date: 18th April 2018

1 Internal Control	2 Tests	3 Yes/No/N/A	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?		
	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?		
	Are staff aware of SO's and FR's	y	
Risk Management Arrangements	Does a scan of the minutes identify any unusual activity?		
	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?	Y	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 particularly where it is unusual or cash-based.	y	
	Are security controls over cash adequate and effective?	Y	
	Are there controls in place for where cash	Y	

	income events may take place		
Petty Cash Procedures	Is all petty cash spent recorded and supported by VAT invoices/receipts?	Y	7
	Is petty cash expenditure reported to Council?	Y	
	Is petty cash reimbursement carried out regularly?	Y	
	Is there an established process and independent review in place?	Y	
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?		9
	Are the assets verified/checked on an agreed basis?		9
	Do asset insurance valuations agree with those in the Register?	Y	9
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?	N	
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		
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	

Prior to the commencement of audit testing on this first visit regarding the 2017/18 accounts, a general discussion took place with regard to any changes in processes and controls since my last visit. With the information received I am aware that, although some of the above mentioned areas of control have not as yet been tested, they remain in place as in the previous year.

Working Paper 1

The minutes of the 26th April 2017 showed consideration of the Internal Audit report for 2016/17 and the draft minutes for the 4th October showed reference to the external audit report.

Working Paper 2

The cash book was up to date as at 20th October, and had been reconciled to the last bank statement, 17th October 2017. Further testing has been conducted during the remainder of the financial year and has been satisfactory throughout.

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

A selection of invoices were checked against both the cash book and subsequent postings. The cash book references are shown below.

Cash book ref	Date
25	10/04/2017
39	26/04/2017
70	17/05/2017
129	03/07/2017
169	17/07/2017
221	30/08/2017
262	12/09/2017
312	13/10/2017
359	13/11/2017
409	21/12/2017
467	12/02/2018
501	22/02/2018
502	28/02/2018
533	02/03/2018
534	27/02/2018

The above entries were also checked for vat numbers, invoice details and budget headings.

Working Paper 3

There have been no changes to Standing Orders and Financial Regulations.

Working Paper 4

The insurance with Zurich was renewed on the 10th April 2017 re Policy No. YLL-272027-8713.

A report was written regarding risk assessments and assets for Full Council on the 21st March 2018.

Working Paper 5

The budget report to committee arrangements are in place and satisfactory.

The budget to actual comparison was carried out and satisfactory explanations were given along with future agreed budget reductions. Areas discussed included, play areas, bus shelters, neighbourhood plan and community fund.

Working Paper 6

The 2017/18 precept of £531,450 was received by the Council over 2 equal instalments on the 13th April and 15th September 2017.

The precept for 2018/19 of £548,260 was agreed at Full Council on the 24th January 2018.

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 February was seen in the cash book and tested 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, 14th March 2018, for the flats verified to the cash book.

A new system has been introduced for allotment rents which now allows for direct payments to be made. The first payment received was followed through the system in the cash book and allotments spread sheet.

Working Paper 7

The petty cash account of £411.84, was balanced on the 20th October 2017. Further verification of the account was done on the 18th April 2018 with the account at £196.52.

Working Paper 8

Salary payments were verified to the remittances from Northumberland County Council. Vouchers 39, 262, 502 and 538 for April, September 2017, February and March 2018 salaries were verified.

Officer	Scp	Contract £	April	Sept/Feb/March	notes
Simon (39-42)	41				
Barbara (15-17)	17				Pro rata for 22 hours
Lorraine (30-34)	33				Pro rata for 24 then 29 hours
David (30-34)	31				Pro rata for 24 then 29 hours
Neil (15-17)	15				Pro rata for 22 hours

Working Paper 9

A report has been written regarding risk assessments and assets for Full Council on the 21st March 2018 and satisfactory arrangements are in place.

Working Paper 10

Bank reconciliations for the periods ending 17th October 2017 and 31st March 2018 were carried out and verified.

Working Paper 11

The process of claiming Vat is satisfactory following audit work and this area was checked again for the April to September claim. The claim for £26,073.91 was verified and the reimbursement verified. A sample of individual items checked to the cash book.

The VAT claim and reimbursement for the period 1st October to 31st December 2017 for £10,562.60 was verified to the cash book.

The final VAT claim for the year was verified to the cash book for £6,257.38.

Working Paper 12

The audit work carried out on this first visit of the new financial year continues to give the necessary assurances that the records give a fair representation of the situation at Seaton Valley Community Council.