Shefford Town Council (STC)

Year End Internal Audit report for the year ended 31 March 2018

Internal audit is a key component of the system of internal control. The purpose of internal audit is to review whether the systems of financial and other controls over a Council's activities are operating effectively.

An interim audit review was undertaken in April 2018, and the findings have been reported in a separate interim report provided to the Council.

As part of the Final year end audit, the progress on the recommendations made in the Interim report have been updated and included in this report.

Background

The Parish Clerk was appointed as the RFO (Responsible Finance Officer) on 5th March 2018 following the resignation of the predecessor in December 2017. As there have been a change in Clerks during the 2017/18 financial year, the current Clerk has worked hard to bring all the payments and receipts recorded from the manual cash book to an electronic cashbook. A number of processes have been implemented in the last 3 months to improve the record keeping and agree payments and receipts to supporting invoices. This will be further improved for 2018/19 following the planned implementation of a new Accounting Software from July 2018.

The Year End Audit findings are summarised below:

	Test	Findings	Recommendations
A	Appropriate accounting records have been kept properly throughout the year	The accounting records for the financial year from April 2017 to March 2018 has been recorded in the Receipts and Payments Cashbook which is a manual record. Audit tested a sample of Payments from the cash book and agreed them to supporting invoices, and the bank.	R1: Payments will continue to be monitored to ensure they are made on time and within the payments terms as soon as the invoice has been received. The new Accounting software will help achieve this.

		Testing identified 1 invoice which had been received in March 2017 had not been paid until October 2017. At the time of the Final Year end, all invoices are now date stamped as 'received" for evidence. The Council has contacted the supplier in question with regards to sending in their invoices in a timely manner. At the time of the Year end audit, expenditure classified under 'Miscellaneous' expenditure has been reviewed and where applicable, the expenditure has been allocated under additional sub-headings. For 2018/19 the Chart of Accounts for the 'Rialtas' Accounting Software (planned for installation July 2018) will include appropriate budget headings, which will further ensure that items classified as 'Miscellaneous' expenditure is kept to a minimum.	
B	Council met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for	The Council have now adopted and approved the Financial Regulations and the Standing Orders on 25 June 2018. A payments schedule is prepared each month outlining the payments for approval. Details such as cheque number/payment reference, supplier, Description, Value (£) & VAT Value (£) is included. A copy of this schedule is attached in a hard copy Minute book which is retained at the Council. However, this payments schedule is not included as part of the Council minutes attached on the Council's website.	

		Discussion with the Clerk confirmed that the Council's website is currently being reviewed and will be updated to allow the upload to be included along with other statutory requirements and good practices for transparency. As part of the obligations to satisfy the Transparency Code, it is recommended that a schedule of payments that have been approved by the Council is attached as part of the Council Minutes. Payments testing identified that not all cheque stubs were initialled by 2 of the nominated Councillors as evidence that the invoice agrees to the value on the cheque during the first 9 months of the year. However, the year end testing has confirmed that invoices and cheque stubs are now being initialled by the cheque signatories. VAT is separately accounted for and evidence was agreed to the Cashbook. The Council submits a VAT return annually to HMRC to reclaim VAT. The last return to HMRC was in April 2017 where a total of £42k was reclaimed. At the time of the year end audit, the VAT for the current financial year is yet to be submitted. It is understood that once the new accounting software has been implemented in July 2018, the Council plans on submitting VAT returns quarterly.	R2: Further work is required on the Council website to ensure monthly schedule of Payments are attached as part for the Council Minutes and uploaded on to the Council's website. R3: It is recommended that VAT is reclaimed quarterly in order to recognise the cash inflow in the Councils' cashbook.
C	Council assessed the significant risks to achieving its objective and reviewed the adequacy of arrangements to manage these	**Risk Assessment:** The Council has not assessed its risks during the year which does not comply with the Financial Regulations which states that *'It is a mandatory requirement that*	None

		risk assessments are reviewed and formally adopted at least annually'. The Clerk has confirmed that a risk assessment will be undertaken in 2018/19. **Insurance:** The Council's insurance policy schedule confirmed the following levels of insurance cover as appropriate from May 2017 to May 2018: • Employer's Liability - £10 million • Public Liability - £15 million • Fidelity – £25k The total Insurance premium for the year was in excess of £6k which seemed excessive compared to other Councils of a similar size. Following audit recommendation, the Council has obtained comparative insurance quotes from June 2018 and the cost of the premium for the Council's insurance cover has been reduced by 50% achieving a significant saving for future years.	
D	Precept requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored, and reserves were appropriate	**2017-18 Budget** The 2017/18 precept was discussed and agreed at the Finance and Strategy Committee meeting held on 14 December 2016, and approved by Full Council on 16 December 2016 There is some evidence of budget monitoring reports that have been discussed during the year on an adhoc	R4: For 2018/19, the budget will be monitored against actual spend during the year, and any variances will be supported with explanations. This will prepared and reported to the Council on a monthly basis.

		basis. However, there was limited evidence of analysis in terms of the actual spend to date with the actual budget. A review of minutes did not record any formal monitoring against the budget during the year. With the implementation of the new accounting software from July 2018, it is anticipated that the budget will be monitored against actual spend during the year, and any variances will be supported with explanations. This will be prepared and reported to the Council on a monthly basis. **Precept** The Precept for 2017/18 was £188,850. The first instalment was paid in April 2017 and the second instalment was paid in September 2017 and this has been agreed by Audit to the Cashbook and the bank statements.	
E	Expected income was fully received, properly recorded and promptly banked	In addition to the annual precept, the Council received income from: • Room hire • Allotments • Tenancy Rent • Grants At the time of Audit, the Rents for February and March 2018 had not been raised as at April 2018. However, at the time of the Year end audit, rental invoices have been now been raised and a new process will be implemented where invoices are raised in advance of the months the rents are due to enable the Council to utilise the cashinflows.	R5: All Receipts recorded within the Cash book should be agreed to supporting sales invoices/supporting documentation raised by the Council and the Council will continue to ensure this is carried out in the new financial year.

		There has been a lack of supporting evidence available to support the income received from advertising in the local magazine. Total received is from advertising is in the region of £1,867. Again, the Council will be making changes in their processes and will be reviewing the schedule of charges. **<u>Allotments</u>** From the Year end accounts, there is no income received from the Allotments during 2017/18. This is due to invoices not having been raised by the managing agent during the financial year. Records show that all allotment plots have been filled and the Council are expecting a total of £1,040 for this period. (£965 received in the previous year). The Clerk will be reviewing the Allotment register for 2018/19. A copy of the renewal letters should be retained so that it is clear which allotments are in use and which have become vacant.	R6: The Allotments Register will be reviewed and details such as name of individual, the Allotment reference, the date the allotment was first occupied, the amount £ that was charged and the date it was paid for will be retained as a minimum.
F	Petty cash	A Petty Cash system operates by the Council. At the time of audit, a total of £88.70 was in the Petty Cash. A separate Petty cash book is retained which includes details of the expenditure that the petty cash has been used for. The Clerk informed Audit that there was a shortfall of £28 between the actual Petty cash and the petty cash book.	None

		Further review of the Petty cash book, identified there are items of expenditure such as: • Donations • Bookings • Mileage • Allotment Fees has been paid from Petty Cash. Petty Cash should not be used to pay so such items. Petty cash should only be used for small value items of expenditure such as a book of stamps or refreshments. The purpose of Petty Cash should only be used in circumstances where the Council needs to pay for smaller unexpected expenses. At the time of the year end audit, the Clerk has confirmed that Petty cash is now only used for small items of expenditure such as stamps and refreshments.	
G	Salaries to employees and allowances to members were in accordance with the Council's approvals	The new Clerk is employed by Shefford Town Council and the salary was agreed to an offer letter sent from the Council. Bedford Borough Council are providing the payroll services for the Clerk.	None
H	Asset register were complete and accurate and properly accounted maintained	A fixed asset register has been prepared as part of the 2017/18 Year end preparation and the total value of current assets was £785,754. The value has decreased as it was identified that there were some assets that belonged to Central Bedfordshire Council and had	None

		incorrectly been recorded with the Parish's fixed asset register. A comprehensive review has been undertaken in June 2018 and the register is now up to date.	
I	Periodic and year end bank account reconciliations were properly carried out	Review of minutes confirmed Bank Reconciliations are presented to Council for approval. Bank Reconciliations are undertaken on a monthly basis and were up to date at the date of the Interim audit. The Year End Bank reconciliation has been prepared and agreed to the bank statements. A new process will be implemented from July 2018 whereby the Chair of the Finance and Strategy Committee will review the monthly bank statements in conjunction with the monitoring of the budget, following implementation of the new Accounting Software.	None
J	Accounting statements prepared during the year were prepared on the correct accounting basis, agreed to cashbook, supported by an adequate audit trail from underlying records	The accounting statements have been prepared on a Receipts and Payments basis.	None
K	Other	Audit reviewed Councillor Declarations in the Register of Interests file. However all the declarations were last undertaken in 2015/16 (May 2015).	R7: All Councillors Declaration of Interests will be reviewed for 2018/19 to ensure records are up to date.

		Arrangements will be made to review all Councillor declarations for 2018/19 to ensure details are up to date. (Nil declarations if there are no changes). The Council's website was reviewed and as at the time of the Audit, the Council Minutes were up to date on the website. In December 2014, the Government issued the Transparency Code for smaller authorities. This code requires annual publication of the following: a. all items of expenditure above £100; b. end of year accounts; c. annual governance statement; d. internal audit report; e. details of public land and building assets; f. agendas, approved minutes and papers of formal meetings; and g. list of councillor or member responsibilities. The Council's website does not include the above publications and therefore does not comply with the Transparency Code. The Council have a PWLB loan which has been disclosed in Line 5 (Loan repayment) on the Annual Return. This has been agreed to the PWLB bank statement.	R8: Details of the payments that are approved by Council will be minuted within the monthly minutes/appendices for transparency. R9: The Council's website is due to be reviewed to ensure the Council complies with the Transparency Code requirements.

Executive Summary

This report has been compiled on the basis of the information that has been made available to me at the time of the audit.

It is recognised that the Clerk has prepared comprehensive working papers to support the Year End Return. The majority of the actions raised in the Interim report have been implemented and further work is currently being undertaken to ensure the remaining recommendations have been implemented for 2018/19.

With the planned implementation of the new accounting software in July 2018, it is anticipated that the Council's budget monitoring processes will be further enhanced and more transparent. The Accounting software will enable the Clerk to maintain electronic records and strengthen and embed the financial controls and procedures operating at the Council.

I will be working with the Council in 2018/19 and plan on undertaking an interim audit visit in November 2018 to establish the progress made in addressing the issues identified from this audit and help improve the internal controls for next year.

I would like to thank the Clerk for her co-operation during the audit.

Leena Bains
25 June 2018