

FINAL

Internal audit report 2018/19

Visit 1 of 1

CHILD OKEFORD PARISH COUNCIL

Date: 7th June 2019

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Introduction

This report contains a note of the audit recommendations made to Child Okeford Parish Council following the carrying out of internal audit testing on 6th May 2019.

The audit work has been carried out in accordance with Appendix 9 of the 2014 'Governance and Accountability for Local Councils: A Practitioners' Guide', as amended by the requirements of the AIAR section of the AGAR 2018/19.

An internal audit covers the review of the operation of the Council's internal control environment. It is not designed to review and give full assurance over every transaction carried out by the Council. Instead it enables the auditor, following the sample testing of a number of different types of transaction, to give an opinion as to whether or not the control objectives are being achieved across a range of financial and governance systems.

Audit Opinion

The internal audit for 2018/19 has now been completed in accordance with the provisions of the Practitioners' Guide and the CIPFA code of internal audit practice.

Many of the Council's current financial controls are operating effectively. However, following the completion of the testing to date I consider that there is one areas of weakness which are sufficiently material to warrant a "no" answer in the Annual Audit Report section on the Annual Return. The report is therefore satisfactory with the exception of the following item:

C: Risk Management Arrangements

- Due to an administrative oversight, the Council did not carry out a risk assessment in the year. The Accounts and Audit Regulations 2015 (s.6) require that the council must carry out a review of the effectiveness of the system of internal control each financial year, and that the findings of the review must be considered by members of the authority meeting as a whole. This review must include the review of risk management arrangements (s.3).

Minutes for two confidential minutes were not retained. This contravenes the Local Government Act 1972 Sch 12 para 41(1).

Audit Recommendations

Recommendations made during the audit are shown on in appendix one to this report.

Recommendations are graded as follows:

Rating	Significance
High	Either a critical business risk is not being adequately addressed or there is substantial non-conformity with regulations and accepted standards.
Medium	Either a key business risk is not being adequately addressed or there is a degree of non-conformity with regulations and accepted standards.
Low	Either minor non-conformity with procedure or opportunity to improve working practices further.

The number of recommendations made at this audit visit and their priority are summarised in the following table:

Rating	Number
High	2
Medium	2
Low	1
Information	1
TOTAL	6

I would like to thank Mal Derricott, Parish Clerk, for her assistance during this audit.

Darkin Miller Chartered Accountants
2018/19 INTERNAL AUDIT OF CHILD OKEFORD PARISH COUNCIL
FINAL REPORT: 7th JUNE 2019

Appendix 1 – Recommendations and Action Plan

Recommendation number	Detail	H/M/L	Management Response	Resp. Officer	Due Date
2.1 – Compliance with Financial Regulations	The Council's minutes record the obtaining of single quotations during the year for various goods or works under £12k. This appears to be non-compliant with its Financial Regulations, which stipulate that usually three quotations or estimates be obtained (10.3).	M	The Council has been made aware and will in future endeavour to comply.		With Immediate effect
	A similar recommendation was made in 2016/17 and 2017/18. I recommend that the Council ensures all procurements are compliant with its Financial Regulations. Where a direct award is made under the exemptions listed in regulation 11.1, or Financial Regulations are suspended in order to make a direct award in case of need, then the minute should record the exemption being used or the suspension of the regulations, and the reason for the exemption or suspension should be recorded in the body of the minute.		Minutes to specify any non-compliance and reasons		With immediate effect
3.1 – Risk Register	The Council is required to carry out a risk assessment annually (Accounts and Audit Regulations 2015. The regulations require that the council meeting as a whole has to review their system of internal control including risk management. Due to an administrative oversight, the Council did not carry out an annual risk assessment in 2018/19. There is a danger that a failure to adequately review and assess the risks facing the Council will result in additional costs and a failure to achieve the Council's corporate objectives. It is recommended that the Council reviews the risk assessment as	H	This was an oversight and a Risk Assessment will be carried out in 2019/20		Sept. 2019

	soon as possible, and that risk management is added to the programme of reports that are considered annually by members.		This will be followed up annually		
3.2 – Complete set of minutes	I checked the Council's minutes during the year to confirm that they do not show any unusual financial activity. I found that the minutes referred to two sets of confidential minutes. I asked to see copies of the confidential minutes but no written copies were retained. Minutes of the proceedings of a Council and its committees must be kept. Failure to do so is a breach of the Local Government Act 1972 Sch 12 para 41(1). I recommend that formal minutes are maintained for all resolutions of the Council in order to ensure that the Council complies with its statutory obligations.	H	In future this will be dealt with.		
4.1 – Format of budget monitoring report	I checked to see that there are no significant unexplained variances from budget. I found that the actual expenditure for the year was slightly under the budget set, and included an unbudgeted amount spent on the Speed Indicator Device (which was met from reserves). The Clerk produces a budget monitoring spreadsheet which shows the monthly cashbook spend against the budget headings. Whilst the spreadsheet enables Members to see the amount and pattern of expenditure across the year, it does not contain any calculation of budget spent or remaining, and contains no space to record any commentary (about reasons for any overspend, and action to be taken). I recommend that the Council considers whether to include additional columns to record the amount or percentage of budget spent or remaining (so the Clerk and Members can see at a glance if	M	The RFO will add a column – Budget Remaining on the Cashbook and monthly statement of accounts		June 2019

	e.g. at least half of of the budget remains to be spent half way through the year), and to record any notes on budget over- or underspends, along with a note of action to be taken. This will help to improve budget monitoring.				
7.1 – VAT on expense claims	I checked that a sample of other payments to employees were reasonable, properly supported and approved by the Council. I found that the sample expense claim was reasonable, properly supported and approved, but that it included £3.55 of VAT which had not been recorded for recovery. Another expense claim (tested in payments) had £0.33 of VAT shown on a simple VAT receipt which was not recovered. Total error value £3.88 (less than 0.6% of VAT for the year). Input VAT on simple VAT receipts can be recovered by employers. Please see https://www.gov.uk/hmrc-internal-manuals/vat-input-tax/vit13400 for further details. I recommend that all VAT is recovered where possible.	L	More care to be taken to recover all VAT due		June 2019
10.1 – Adjusted errors	During the audit the following errors were adjusted: A £680 refund of unrequired grant expenditure was transferred from income to expenditure. Staff costs were decreased, and other payments increased by £65 relating to administrative expenses classed as staff costs in error. Fixed assets were increased by £100 in relation to the cost of a Silhouette Soldier which had been shown as grant expenditure in error.	Info	Advice received and action taken See attached Minute 19/11e		