

## **BRADLEY STOKE TOWN COUNCIL**

### **Annual Internal Audit Report – June 2009.**

This Internal Audit examination took place prior to signing off the certificate contained within the “Local Councils in England Annual Return for the Year Ended 31 March 2009” in order to assess the Council’s continued compliance with financial controls and to test the levels of internal control and the completeness of accounting transactions.

As a result of my work carried out at the previous audit, I can state that my findings satisfied all the criteria needed to sign off the certificate, and this report is presented as a commentary on the individual sections contained within the aforementioned certificate. I also take the opportunity to comment upon the reaction taken by Council to the recommendations contained in my last report dated 30<sup>th</sup> January 2009.

My recommendation at that time related to the completion of a Business Plan, and it is noted that since January progress has been made with a Draft Strategic Plan being available for inspection. It is hoped that the work on this will continue and be completed within the year.

The following paragraphs relate to the sections contained in the Internal Audit Certificate, which I signed off on 8<sup>th</sup> June 2009.

#### **A Books of Account.**

I am satisfied that the standards of book-keeping are appropriate, and that these books of account are properly kept throughout the year. Accounts are maintained on the Sage Accounting system, an industry standard software package that complies with all accounting standards and practices needed by the Authority.

This follows my finding from previous years, and is fit for purpose.

#### **B Financial Regulations and Payments:**

##### **a) Financial Regulations/Standing Orders**

Since my last audit Council has added a provision relating to the Emergency Transfer of Funds (Minute 8.5, Finance & Leisure Committee, 15<sup>th</sup> April 2009). This gives delegated powers to the Town Clerk and Responsible Financial Officer (RFO), in consultation with the Chairs of Council, the Finance & Leisure Committee and the Planning, Environment & Amenities Committee, to act immediately should there be a risk attached to the Councils bankers.

The bank mandate has also been amended to include the signature of the three Chairs previously mentioned.

It is considered that these documents form the basis of the financial control systems that exist within the authority and are appropriate.

##### **b) Payment Controls**

Payment procedures are well documented and substantive checking at previous internal audits has not revealed any significant control issues. An audit trail from Purchase Order to Bank Statement and Sage accounts shows that payments are properly accounted for and all VAT has been identified, recorded and reclaimed. Section 137 expenditure is separately recorded in the accounts and falls within statutory limits.

I can therefore certify that the Council's Financial Regulations have been met, payments supported by invoices, expenditure properly approved and VAT properly accounted for.

### **C Risk Arrangements**

The Council's exposure to Risk continues to be monitored effectively. The system of site review and reporting, as previously noted, remains in place and a Health & Safety report is regularly presented to the Planning, Environment & Amenities Committee.

The non physical aspects of Risk assessment are covered through the procedures of financial control, internal check and regular budgetary review that are in place within the Council. A Financial Risk Assessment Schedule has been established which is updated as a living document and which provides a comprehensive assessment of the exposure to risk, the various elements of the financial control systems pose to it, the action taken to address these risks and a review programme. This document is a significant addition to the risk monitoring procedures already in place.

Amendments to the Insurance Portfolio mentioned at last internal audit have been actioned and the response of the insurer to the question of Fidelity will be reported to the next Finance & Leisure Committee.

It is considered that the Councils approach to Risk remains robust and appropriate.

### **D Precept Requirement and Budgetary Control**

The Council has a sound budgetary process with the Precept being set after a complete review of the Councils activities. The Precept is properly and promptly received. The Finance & Leisure Committee regularly receive a monitor report when actual income and expenditure is reviewed against budget. The budget and Precept approval was considered by Council (21<sup>st</sup> January 2009, Minute 9.1) and Finance & Leisure Committee (17<sup>th</sup> December 2008, Minute 7).

The reserves of Bradley Stoke Town Council are considered appropriate for an authority of its size and range of services.

### **E Income**

I can confirm that the Councils income is properly and promptly received, and the procedures that were in place previously have not been changed. The controls in existence allow monitoring staff to anticipate income. Previous substantive checks show that the correct pricing structures are used, and that income and VAT is fully accounted for.

I can confirm that the income procedures of the Council meet recommended standards.

### **F Petty Cash**

Disbursements through the petty cash system can be traced to the nominal code within the Sage accounting system, and is regularly reconciled by the RFO. The Petty Cash "Cheque" system and the Mobile Van imprest are also regularly reconciled. The Finance & Leisure Committee continues to receive regular reports on Petty Cash disbursements for Members approval. Petty Cash payments are supported by receipts and VAT properly accounted for.

No issues surrounding the Petty Cash procedures are revealed.

## **G Payroll**

Salaries to employees have been paid in accordance with Council approvals and PAYE, NI and pension requirements properly applied. Payslips and accounting records are prepared manually, and then fully integrated with the accounting system.

No issues surrounding Payroll procedures and controls are identified.

## **H Assets and Investments**

The Asset Register which forms part of the Financial Statements has been reviewed during the year and appropriate amendments made, following consultation with the District Valuer. Rationalisation of the small items included has resulted in a more meaningful register being produced. The end year valuations agree with the Balance Sheet.

The Council currently has no investments in the financial markets, all surplus funds being held in an interest bearing account with the Council's bankers.

No issues are raised re the Assets and Investments.

## **I Bank Reconciliation**

Regular reconciliation between the Council's records and the bank statements takes place upon receipt of the statements.

## **J Year-end Accounts**

Year-end financial statements are produced by the accounting system up to and including Trial Balance. Provisions are in place to provide for debtors, creditors and accruals. The Financial Statement is prepared by a professional contractor. Year end and brought forward balances provide a trail to show that all transactions between years are fully accounted for.

An anomaly relating to the treatment of Asset Disposals was drawn to the attention of the RFO who will address the issue with the Consultant.

## **Conclusion**

Based upon the review detailed above, and my previous Internal Audit findings, I conclude that there are no issues arising that prevent me signing the Annual Internal report to the Council. As stated before, this I have done.

In conclusion, can I once more thank David Chandler, Rachel Pullen and their staff for their assistance during the conduct of the audit.

John Massie, CPFA.  
9<sup>th</sup> June 2009.