

VENTNOR TOWN COUNCIL

INTERNAL AUDIT REPORT 20011-12

1. INTRODUCTION

All Local Councils in England are required to complete an annual return summarising their financial records at the end of the financial year. Section 4 of the Annual Return needs to be completed by an Internal Auditor who shall be independent of the Council. The Audit Commission (the Councils External Auditor) needs to place reliance on the work of the Internal Auditor and provides guidance on the minimum level of testing required to provide this assurance.

2. SCOPE OF AUDIT

The audit includes for examination on a test basis of evidence relevant to the amounts and disclosures as contained in the accounts. This examination has included the following-

- Matching of financial statements to invoices and receipts
- Examination of budget preparation & precept setting
- Inspection of bank statements
- Compliance with payroll requirements
- Correct accounting for VAT
- Treasury Management
- Adequacy of insurance cover
- Security of information & back up records.

3. FINDINGS

- (1) Arrangements for PAYE were carried out using software from Her Majesty's Revenues & Customs (HMRC). Year end returns were examined and reconciled to sums paid over to HMRC.
- (2) The accounting records, bank statements and bank reconciliation for the year ended 31st March 2012 have been examined and agreed. A bank reconciliation is presented to the Council on a monthly basis and signed by the Clerk/RFO , which is considered good practice.
- (3) The Council has adopted Standing Orders & Financial Regulations and the Clerk is its designated Responsible Financial Officer (RFO). These documents were reviewed during the year in accordance with guidance from NALC and revised documents were adopted at the Councils meetings in July & August respectively.
- (4) The accounts have been produced on a receipts and payments basis and it is recommended that this continues as the turnover is less than the £200,000 threshold where an income & expenditure basis has to be adopted.

(5) The Council had prepared an annual budget in support of its precept for 2012-13 and a precept of £135,000 for 2012-13 was approved at its meeting on the 20th February 2012. An Excel spreadsheet is prepared for the Council on a monthly basis detailing all expenditure & income. A budget monitoring report is also produced on a monthly basis

(6) Expenditure and Income had been fully documented. The Isle of Wight Council's policy is to pay the full precept in one payment and the precept for 2011-12 was received in April 2011. Supporting invoices and documents had been kept to support all transactions. VAT had been properly accounted for and VAT paid is fully recovered from HMRC.

(7) The 2011-12 financial year saw a significant reduction in financial turnover arising from the Council no longer operating the Winter Gardens. This will require a variance statement detailing such to be sent with the Annual Return to the Audit Commission for the 2011-12 financial year. It is understood that all liabilities relating to the former operation of the Winter Gardens have been discharged.

(8) The Council's level of cash reserves held of £5,993 as at 31st March 2012 is low for a Council of this size. Budget provision of £5,000 has been made in the 2012-13 year to increase reserves and it is recommended that consideration be given to an increase in reserves when setting the budget and precept for the 2013-14 financial year.

(9) The Council has reviewed its Fixed Asset's Register and its content valuation is contained in the Annual Return to the Audit Commission.

(10) The Council operates two bank accounts one of which attracts interest. Current interest payable is at very low rates and a better return could be achieved by investing in short term corporate bonds. The sums involved are not substantial but if reserves increase (as budgeted) the Council should be seen to be getting the best return on monies held.

(11) Insurance requirements were reviewed and found to be satisfactory. This included for Employers Liability, Public Liability and Fidelity Guarantee.

RECOMMENDATIONS

- (i) The Council review its level of reserves prior to the setting of its budget for the 2013-14 financial year.
- (ii) The Council consider investment in Corporate Bonds to secure a better return on short term cash balances.

Having regard to the above I am of the opinion that I have adequate assurance to complete and sign Section Four of the Annual Return to the Audit Commission

GARETH HUGHES BA (Hon) CPFA

30th April 2012