



INTERNAL AUDIT

TOWN COUNCIL MEETING

REPORT 38/17

21 MAY 2018

The purpose of this report is to ask Members to consider and agree the report of the Town Council's Internal Auditor on the financial year 2017/18 and appoint its Internal Auditor for 2018/19.

No. DETAIL

1) INTERNAL AUDIT REPORT

- a) The Town Council appointed Gareth Hughes as its Internal Auditor for 2016/17 at its meeting of 2 May 2017 by Minute 46/17 of that meeting.
 - b) Gareth Hughes' Internal Audit Report for the financial year 2017/18 is attached to this report for Members' consideration.
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2) APPOINTMENT OF INTERNAL AUDITOR

- a) Gareth Hughes is willing to remain as the Town Council's Internal Auditor for the financial year 2018/19.
 - b) As a Chartered Public Finance Accountant previously employed at senior level of the Isle of Wight Council he is very well qualified for the role.
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3) RECOMMENDATIONS

Members are recommended to agree that:

- i) the Internal Auditor's Report be accepted and Gareth Hughes be thanked for his thorough preparation of it; and
 - ii) Gareth Hughes be appointed as the Town Council's Internal Auditor for 2018/19.
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VENTNOR TOWN COUNCIL

INTERNAL AUDIT REPORT 2017-18

1.INTRODUCTION

All Local Councils in England are required to complete an Annual Governance and & Accountability Return (AGAR) summarising their financial records at the end of the financial year. The Annual Report of the Internal Auditor section of the AGAR needs to be completed by an Auditor who shall be independent of the Council. 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
- Correct accounting for VAT
- Completion of Risk Assessments
- External Audit requirements.
- Compliance with Transparency Code

3.FINDINGS

- (1) Payroll is completed using HMRC payroll software with deductions of Tax & NI being paid to HMRC on a quarterly basis.
- (2) The accounting records, bank statements and bank reconciliation for the year ended 31st March 2018 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. The bank reconciliation is contained on the expenditure sheets of the Excel accounts spreadsheet.
- (3) The accounts have been produced on an income and expenditure basis as is required when annual turnover exceeds £200,000 per annum. Details of proposed accruals were supplied by the Town Clerk and these will be included in Section 2 of the Annual Governance & Accountability Return. Details of the completed Section 2 will be examined prior to their submission to the External Auditor.
- (4) The Council had followed a budget process to support its precept and at its meeting on 12th February 2018 set the Precept-related income at £323.354, together with the Local Council Tax Scheme grant of £4,879 from the Isle of Wight Council;
- (5) Income and Expenditure against budget is monitored on an ongoing basis with

variances against budget being reported to Full Council on a monthly basis.

- (6) The Council has a lease for Salisbury Gardens from the Isle of Wight Council to provide offices and a location for local business units. The Council has agreed that any costs arising from the project should be financed by its income and that there should be no financial call on the precept and local taxpayer. Income and expenditure arising from Salisbury Gardens have been recorded and a deficit of £7,812 was made in the 2017-18 financial year which will be funded from accumulated the accumulated surplus pertaining to Salisbury Gardens. The deficit primarily arose from agreed contributions of £20,000 to Portakabins at The Free School.
- (7) The AGAR requires the Internal Auditor to be satisfied that the Council considers the risks to not achieving its objectives. A Financial Risk Assessment was undertaken and approved at the Council meeting on 15th January 2018.
- (8) There were no matters arising from the audit of the 2016-17 Annual Return which was reported to Council at its meeting on 12th September 2017.

. Smaller Authorities Audit Appointments Ltd (SAAA) have appointed PKF Littlejohn as the External Auditor for a period of five years commencing with the 2017-18 financial year. The information to be supplied to the External Auditor remains basically unchanged but there are changes in the process of audit as follows –

- (i) The Town Council must undertake a review of the effectiveness of the system for internal control and approve the Annual Governance Statement in advance of approving the Accounting Statements

The approval of the Annual Report of the Internal Auditor section of AGAR needs to take place prior to the approval of the Annual Governance Statement (Section 1) and the Accounting Statements (Section 2). The order of these approvals should be clearly documented in the Parish Council minutes

- . (9) The Local Government Transparency Code requires Town and Parish Council's with annual income or expenditure of over £200,000 to publish on its web site, on a monthly basis, details of all payments in excess of £500 other than salaries. Ventnor Town Council has opted to publish all non-salary payments on the website. There is also a requirement to publish details (including valuation) of all owned land & buildings and therefore the freehold acquisition of public convenience sites will need to be disclosed.