



Westerham Town Council

INTERNAL AUDIT REPORT

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The engagement was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing

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1 SUMMARY

The requirements for an internal audit function come under local government legislation, section 151 of the Local Government Act 1972. The Accounts and Audit (Amendment) Regulations 2006 also identify the need for internal audit.

The Town Council has a statutory responsibility to prove adequate and effective Internal Audit by engaging an Internal Auditor. The role of the Internal Auditor is to provide an independent review and appraisal of the Council's system of internal control.

The internal auditor must be independent of the activities he audits so as to remain impartial and effect professional judgements and recommendations.

In accordance with the agreed audit plan (Appendix A) and following our audit visit to you on 22nd October, we have completed audit testing in the following areas:

- Previous Years Accounts
- Financial Regulations
- Budget Setting
- Budget Reporting
- Cheques (including personal cheques)
- Expenditure
- Banking
- Insurance
- Allotments
- Investments
- Salaries and Wages

2 FINDINGS

Previous Years Accounts

Control: The previous year's financial statements and AGS are publicised for inspection before and after external audit.

Finding: Internal Audit observed that the previous year's financial statements and Annual Governance Statement have been published on the Town Council's website.

Financial Regulations

Control: Financial Regulations are reviewed annually and reported to the relevant committee

Finding: The Town Council has agreed to review the financial regulations on a 4-year basis or if significant changes are made, the financial regulations were last reviewed and updated in 2017 following the agreement to introduce online banking. The Standing Orders policy has recently been reviewed however the latest version has not been uploaded onto the Westerham web page. **See Issue 1.**

Budget Setting and Reporting

Control: Budget setting is produced for revenue and capital expenditure and approved by the Council with the precept agreed and set as part of the process. The precept set covers the annual estimated spend and is not agreed without any budget setting in place. Detailed expenditure and income for the current financial year to date against the budget set is reported at least quarterly if not included within the monthly reporting to committee.

Finding: There is an appropriate process in place for the setting of the budget and for budget monitoring. Income and expenditure was found to be regularly reported to the relevant committee.

Cheques (including personal cheques)

Control: The Financial Regulations detail what information should be recorded on the cheque book stubs and what the authorisation procedures are. Any cancelled cheques should be marked accordingly and retained within the relevant cheque book.

The cheque book stubs should include full details of the payment made.

Finding: The cheque book stubs tested include full details of the payment made as per the Financial Regulations and there was no evidence of signing blank cheques are issued sequentially with no missing cheques.

Expenditure



Control: Invoices show order number, copy letter or contract authorising purchase of goods. Expenditure is authorised and reported to the relevant committee as per the financial regulations.

Finding: Audit testing of a sample of payments showed invoices had received the relevant authorisation prior to purchase with the relevant committees receiving detailed transaction reports on payments made.

Banking

Control: Income is banked at least weekly and large amounts of cash are not held on site.

Finding:

A review of bank statements found banking is completed regularly in line with the amount of cash held on site.

Insurance

Control: There is sufficient insurance cover in place to cover buildings, street furniture, fidelity, public liability, employers, civic regalia and buildings and contents.

Finding: A review of current insurance policies confirmed that there is sufficient insurance coverage in place. Best value was sought, and the Council have obtained a 3-year renewal.

Allotments

Control: Fees and charges for allotments have been reviewed annually and charges have been invoiced accurately with all expected income received.

Finding: Allotment fees are agreed at committee annually. Audit testing of a sample of allotment income received found all had been charged at the agreed rate and could be traced through to the bank account.

Investments

Control: All investments should be recorded in a register.

Finding: The Council has three investments which are reviewed at the Finance & General Purposes Committee. Records relating to each investment are retained.

Salaries and Wages

Control: Salaries and wages are reviewed annually and agreed at full council. Accurate salaries and wages are paid to staff

Finding: There has been an annual review of salaries at the Finance and General Purposes Committee. Testing of a sample of salary payments found all had been paid accurately and in line with approved amounts.



3 ISSUES IDENTIFIED

Issue 1

Although the Standing Order policy has been recently revised, at time of testing , this had not been published on the Westerham web page with the previous version still displayed