

SANDOWN TOWN COUNCIL

INTERNAL AUDIT REPORT 2016-17

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 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-

Appropriate accounting records have been kept
Payments were supported by invoices and all expenditure reported.
VAT had been accounted for correctly and reclaimed from HMRC
Examination of budget preparation & precept setting
Inspection of bank reconciliation.
Accounting records prepared on the correct basis.
PAYE requirements were being met.

3. FINDINGS

- (1) The accounting records, bank statements and bank reconciliation for the year ended 31st March 2017 were examined and agreed. Sampled payment invoices for the months of June, July, September, January and March were agreed to bank statement entries and to accounting records. A bank reconciliation is completed on a monthly basis and a full reconciliation to the ledger is provided on a quarterly basis. As at 31st March 2017 account balances totalled £813,732.93 which were checked and agreed with bank statements
- (2) VAT expenditure has been accounted for correctly in the accounts and is subsequently reclaimed from HMRC.
- (3) The Council has a Finance & General Purposes Committee which meets periodically and all invoices are scheduled and reported to either this Committee or to Full Council meetings.
- (4) A proper budget process was undertaken in support of the 2017-18 precept, commencing at the Finance & General Purposes Committee meeting on the 7th November 2016. The precept for 2017-18 of £240,139 was set at the Council meeting on the 20th February 2017.
- (5) Budget Monitoring Reports are made to the Finance & General Purposes Committee. Any variances in income & expenditure of over 10% from the 2015-16 financial year are required to be reported as part of the External Audit Annual Return submission.

- (6) The Council continues to have two outstanding loans with the Public Works Loan Board (PWLB), which are to be used to finance future capital expenditure. The Council is engaged in the redevelopment of its building at the Broadway Centre, works to be financed from loan monies and capital receipts arising from the redevelopment. The principal sum outstanding to PWLB as at 31st March 2017 was £578,576.
- (7) A Risk Assessment review was undertaken by the Finance & General Purposes Committee and approved at its meeting on 11th June 2016. Having regard to office moves, new services and other commitments it is recommended that a further risk assessment be undertaken in the current financial year.
- (8) Where annual turnover exceeds £200,000 for a third consecutive year it is a requirement that accounts are prepared on an income and expenditure basis and not on a receipts and payments basis. The Town Clerk has advised that Section 2 of the Annual Return had been completed on an income and expenditure basis for 2016-17.
- (9) Arrangements for PAYE are carried out by the Clerk, with deductions in respect of income tax and national insurance being paid to Her Majesty's Revenues and Customs (HMRC) on a quarterly basis. Payroll records were sampled and found to be satisfactory with payments to HMRC checked to bank statements.
- (10) There were no matters arising from the audit of the 2015-16 Annual Return. The External Auditor for the 2016-17 Annual Return is again to be BDOLP but the format of the return remains unchanged. With effect from 1st April 2017 External Auditors will be appointed for a five year period by Public Sector Audit Appointments Limited (PSAAL), a public company formed in consultation with NALC and SLCC.
- (11) The Council is required to comply with the requirements of the Transparency Code for Local Government and such requirements are being addressed. It is suggested that all associated relevant information is contained in a distinct section of the Town Council website.

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.

GARETH HUGHES BA (Hon) CPFA

10TH AUGUST 2017