

INTERNAL AUDIT REPORT FOR CRANBROOK TOWN COUNCIL

I have carried out the annual internal audit today and wish to report as follows

Proper Book-keeping : A random sample of payment processes was made, ensuring accuracy of input and external checking/verification. Following the comments of last year's Internal Audit, the Council will be moving to the Omega system administered by RBS. Accuracy is good but keeping some invoices in paper form and others electronically, while not an issue in itself, causes a certain amount of confusion and more work in terms of VAT claims and also audit. **No issues**

Financial Regulations: Financial Regulations are in place and have been reviewed during the year. **No issues**

Standing Orders: Have been reviewed, updated, approved and signed. **No issues**

Payment Controls: Authority of payments is made monthly by the Council. Regular quarterly reports are reviewed by the Finance & Personnel Committee. All payments are now done electronically and this system is working well. All payments are within Council's legal powers which are enhanced by the General Power of Competence. No loan is in place. The Council reviewed its banking during the year following the advice of the Internal Auditor but has reverted to its existing bank as signatories have been reviewed and the issue regarding access in the absence of the Clerk resolved. The Council currently claims VAT through the non-registered scheme on an annual basis; with the growth in work of the Council it is recommended that VAT in future be claimed at least quarterly. **Action: Review frequency of VAT claims**

Risk Management: There is a good risk management of finances and all other aspects of the Council. Insurance has been reviewed and approved, giving adequate cover. Disruption to business is not insured highly but the Council has taken good steps to ensure off-site back-ups are in place. Council has a Risk Management policy and another for Internal Controls. All policies are reviewed regularly. **No issues**

Budgetary Controls: The Budget has been properly prepared and supported by a report giving rationales for changes. The Budget has been reviewed and approved and precept set with full Council approval as is required. Reserves are currently kept within a global carry forward figure; with the growth of new assets and responsibilities the Council should allocate the carry forward into General Reserves (maximum 40% of precept) and also into specific Earmarked Reserves for ongoing projects and commitments. Progress against budget is reported quarterly to the Finance & Personnel Committee. **Action: Review the situation regarding carry forward and reserves taking into account the growth of the Council's responsibilities**

Income Controls: Precept and grant have been properly and promptly received. Other income is well evidenced and recorded. All income was reported to Council on a monthly basis but recently this has not happened and should be reinstated. There are no current debtor repayment issues. There are no current investments. **Action: Reinstate the reporting to Council on a monthly basis of income received**

Petty Cash Procedures: The Council does not run a petty cash system. **No issues**

Payroll Controls and Employment: An external payroll bureau is used with input well evidenced. Salary/staffing changes are approved by Council except the appointment of the Interim Clerk, which should be rectified as soon as possible. Pension registration is in place. **Action: Minute the appointment of the Interim Clerk**

Asset Control: Asset register is in place and current. To save having various small items listed, these could be amalgamated into "Office Equipment" for £154-15,000. **No issues**

Bank Reconciliation: Monthly reconciliations covering all accounts are prepared and reported quarterly. Year end reconciliation is in place and has been approved by the Council. All financial records are scrutinised externally by an appointed Councillor, which is very good practice. **No issues**

Year End Procedures: Year end accounts are prepared as a spreadsheet of Receipts and Payments; these should be formally approved by the Council (the Interim Clerk is ensuring that this is put in place for 2018). With the growth in precept and work being undertaken, the Council will need to move to Income and Expenditure basis for its accounts and it is therefore recommended that a proper balance sheet be prepared as the year end accounts. The Clerk will need to note on the 2019 External Audit form that the accounts have been changed to Income and Expenditure. External audit form for 2017 approved correctly. 2017 Internal Auditor's Report discussed and minuted. **Action: It is a legal requirement for the Council to approve year end accounts. Accounts need to move to Income and Expenditure**

General: It is clear that this Council has set up excellent procedures since being formed. There are very few issues and those highlighted are almost certainly cases of oversight which can easily be rectified.

Lyn Hargood
15 May 2018