



Black Rose Solutions Limited

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12th July 2020

Dear Les,

**Stone Town Council – Internal Audit 2019/20**

I confirm that I have carried out an examination of your accounts and procedures, in accordance with the requirements of the Accounts and Audit Regulations 2015.

Despite the social distancing limitations imposed by Covid19 it has been possible to complete Internal Audit work, I performed an interim audit in January 2020, and have communicated with the Assistant Town Clerk by email and phone to review year end documents during July. I have no concerns about the adequacy of Internal Audit arrangements, but I have to point out that my year end checking and review procedures will not have been as thorough as usual.

I can state that I have no significant concerns about your internal control procedures (minor observations detailed in attached report) I found no material errors, omissions or irregularities in your financial records.

I would also confirm that I am totally independent of your Council and have no contact with any Member, employee or supplier.

Yours sincerely,

Mrs Sandra Morris ACMA

# Black Rose Solutions Ltd

## Internal Audit - Report 2019/20

Name of Council

Stone Town Council

Date of Audit

23rd January 2020 & 12th July 2020

### Annual Return - Internal Control Objectives

<p><b>A. Appropriate accounting records have been properly kept throughout the financial year.</b></p>	<p>YES</p>
<p>Is the cashbook maintained and up to date? <span style="float: right;">yes</span></p> <p>Is the cashbook arithmetic correct? <span style="float: right;">yes</span></p> <p>Is the cashbook regularly balanced? <span style="float: right;">yes</span></p>	
<p><b>B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.</b></p>	<p>YES</p>
<p>Are payments supported by invoices? <span style="float: right;">Yes*</span></p> <p>Is all expenditure approved? <span style="float: right;">Yes</span></p> <p>Is VAT appropriately accounted for? <span style="float: right;">Yes</span></p> <p>Expenditure is approved in compliance with financial regulations, as per budgeted amounts or by approval in minutes.</p> <p>All payments over £250 are reported to the council quarterly in line with Transparency guidelines. All non-cheque payments are reported to the council monthly. A full list of payments is reported to the General Purposes Committee periodically.</p> <p>Cheque payments are signed by 2 councillors, 1 of whom also sign the invoice.</p> <p>Payments by BACS are independently checked and signed off on the face of the invoice, but there is no secondary approval via the bank. Daily transaction limits are £20,000.</p> <p>*Occasionally, there is no formal documentation for a payment (e.g 3 payments re equine display for £700, £100, £25). While there is no suggestion of impropriety (expenditure for a minuted event, with full knowledge of staff) without supporting documentation it is not possible for internal audit to verify the transactions. Allowing exceptions to standard practice in this way creates the risk of errors, or the opportunity for fraud. At the very least a signed receipt should be obtained containing name and address of payee and details of the product or service.</p>	<p>R</p>

<b>C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</b>	YES
Does a review of the minutes identify any unusual financial activity?	no
Do minutes record the council carrying out an annual risk assessment?	yes
Is Insurance cover appropriate and adequate?	yes
Are internal financial controls documented and regularly reviewed?	yes
Financial controls are documented in the Financial Regulations, which are reviewed regularly - most recently by the General Purposes Committee in June 2019.	
The council has a comprehensive risk assessment policy in place which is reviewed annually (5th April 2019).	
Insurance is held with Zurich	

<b>D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.</b>	YES
Has the council prepared an annual budget in support of its precept?	yes
Is actual expenditure against the budget regularly reported to the council?	yes
Are there any significant unexplained variances from budget?	no
Are reserves appropriate?	yes
The council has a comprehensive budgetary process. Progress against budget is regularly reported to council with all variances and required virements well documented.	

<b>E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.</b>	YES
<p>Is income properly recorded and promptly banked? <span style="float: right;">yes</span></p> <p>Does the precept recorded agree to the Council Tax authority's notification? <span style="float: right;">yes</span></p> <p>Are security controls over cash and near-cash adequate and effective? <span style="float: right;">yes</span></p> <p>Is the council VAT registered? <span style="float: right;">yes</span></p> <p>Are returns submitted in a timely manner. <span style="float: right;">yes</span></p> <p>Is VAT reclaimed on exempt business activities reviewed and considered insignificant? <span style="float: right;">yes</span></p> <p>Are receipts for business activities within the registration threshold? <span style="float: right;">n/a</span></p>	
<p>Various income streams are received by the council - hire of rooms, market income etc. These are banked in a timely manner (within a few days for small values, kept locked in a safe until banked). Various independent, manual verifications and double checks are in place. Receipts are given for cash received, and checked to to banked amounts.</p> <p>Review of minutes shows that room hire rates are periodically reviewed and updated as appropriate.</p> <p>An issue was observed in regards to the calculation of the "purchases" statistical figure entered into VAT returns in regards to inclusion of items without a VAT invoice, or from non-registered businesses. This does not affect the value of VAT to be paid or refunded. Upon investigation there is a means to record these transactions in Sage to correctly report the statistical value, without affecting partial exemption calculations.</p> <p>A partial exemption calculation is performed to ensure that input VAT on exempt supplies is below the deminimis amounts. (Not reviewed for current year)</p>	

<b>F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.</b>	N/a
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<b>G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.</b>	YES
Do all employees have contracts of employment with clear terms and conditions?	yes
Do salaries paid agree with those approved by the council?	yes
Are other payments to employees reasonable and approved by the council?	yes
Have PAYE/NIC been properly operated by the council as an employer?	yes
Employees are paid via Sage Payroll and NI & PAYE is properly operated. Review of the minutes demonstrated procedures for agreeing job descriptions, contracts and pay rates.	

<b>H. Asset and investments registers were complete and accurate and properly maintained.</b>	YES
Does the council maintain a register of all material assets owned or in its care?	yes
Are the assets and investments registers up to date?	yes
Do asset insurance valuations agree with those in the asset register?	yes

<b>I. Periodic and year-end bank account reconciliations were properly carried out.</b>	YES
Is there a bank reconciliation for each account?	yes
Is a bank reconciliation carried out regularly and in a timely fashion?	yes
Are there any unexplained balancing entries in any reconciliation?	no
Is the value of investments held summarised on the reconciliation	n/a
The current account is reconciled monthly, the business/savings account is reconciled quarterly, all other accounts are reconciled annually - reconciliations are signed off by 2 councillors.	
The business/savings account only has movements from/to the current account, so quarterly reconciliation seems adequate. Other accounts rarely have movements except for interest payments.	

<b>J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.</b>	YES
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Are year end accounts prepared on the correct accounting basis (receipts and payments or income and expenditure) ?	Income and Expenditure
Are debtors and creditors properly recorded?	yes
Do accounts agree with the cashbook?	yes
Is there an audit trail from underlying financial records to the accounts?	yes

<b>K. If the authority certified itself as exempt from a limited assurance review, it met the exemption criteria and correctly certified itself exempt</b>	N/a
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<b>L. The authority has demonstrated that during summer 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.</b>	YES
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Date from	17/06/2019
Date to	26/07/2019

<b>M. Trust funds (including charitable) – The council met its responsibilities as a trustee.</b>	YES
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The council is trustee of two charities		
Town Hall Charity	505718	Sole Trustee
Richard Vernon Trust	236666	3 councillors appointed.
Filings for both are up to date on the charity commission website. Both have minuted meetings separate from council business and separate bank accounts.		

# Annual Internal Audit Report 2019/20

## Stone Town Council

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation **during** the financial year ended 31 March 2020.

The internal audit for 2019/20 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Agreed? Please choose one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	NO PETTY CASH		✓
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic and year-end bank account reconciliations were properly carried out.	✓		
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		
K. IF the authority certified itself as exempt from a limited assurance review in 2018/19, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2018/19 AGAR tick "not covered")			✓
L. The authority has demonstrated that during summer 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.	✓		
<b>M. (For local councils only)</b> Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes ✓	No	Not applicable

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).


Date(s) internal audit undertaken

23/01/2020      12/07/2020

Name of person who carried out the internal audit

Sandra Morris ACMA

Signature of person who carried out the internal audit



Date

14/07/2020

\*If the response is 'no' you must include a note to state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

\*\*Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).