

TO:
MEMBERS
FILEY TOWN COUNCIL

30.05.19.

INTERNAL AUDIT REPORT
FILEY TOWN COUNCIL ACCOUNTS
FINANCIAL YEAR 2018/19

Context

The Town Council has a statutory duty to complete an Annual Return at the end of each financial year. As part of this Annual Return, the Town Council's internal audit is required to provide assurance that relevant procedures and controls were operating effectively for the financial year 2018/19. The purpose of this exercise is to meet those statutory requirements and provide the Council with an appropriate level of assurance in support of the annual return for 2018/19.

Interim Audits

I have carried out three interim exercises during the financial year and the results have already been reported to you together with any necessary comments.

Final Audit

The Final Audit is similar in nature to the interim audits but includes detailed work on the Final Accounts of the Council. All four audits are carried out in accordance with the detailed plans and specification agreed with you for the financial year.

Any items requiring action and reported to you at interim audit stage are reviewed as appropriate during the year to ensure compliance.

The following are the areas that have received attention by me in this final quarter: -

- (a) Bank reconciliations and bank transfers
- (b) Cash book maintenance
- (c) V.A.T. account
- (d) Approval of payments
- (e) Income and debtors
- (f) Final account production
- (g) Financial ledger
- (h) Payroll
- (i) Investments
- (j) Minute scrutiny
- (k) Budgets, budgetary control and provision of financial information
- (l) Financial controls
- (m) Corporate Governance
- (n) Petty cash and postage

The matters I should like to bring to your attention from this fourth quarter are as follows: -

(B) Financial Regulations, Payments and V.A.T.

(a) Online Payments

(i) As previously reported to you your R.F.O. and I were concerned about the vulnerability of the Council in operating the online payments system. As a result the number of payments using this technology has been kept to an exceedingly low level. In addition two members of staff are involved in any online payment plus authorisation in writing by a member. This does not preclude one person from making an improper payment. This does not make the system secure.

(ii) The newly introduced technology does not operate as it was believed it would. It was thought that the person raising the payments would be able to place them in the equivalent of a holding bay and then the person authorising payment would release them when satisfied, via the technology. This appears not to be possible on the Yorkshire Bank System.

(iii) We are aware of other institutions using systems that allow the creation and authorising of payment to be carried out independently, thus creating division of duties and less risk to all involved as well as the Council. Your R.F.O. has been carrying out research for some time and is continuing to do so and will hold discussions with your current bankers shortly.

(b) Transparency

(1) As part of the Government initiative towards transparency in Councils certain items are placed on your Council web site for scrutiny by interested persons. Maintenance of the current site is arduous and does not enable staff to update it on a regular basis without the contractor and is proving difficult to achieve.

(G) Payroll

(1) The Council outsourced its payroll to an external contractor in this quarter. Teething problems were encountered in this period. This necessitated a number of adjustments which were successfully carried out.

In April and May of 2019 the system has been successfully operated and the previous problems have not been encountered.

Overview

Overall the Council has very good controls in place surrounding the financial and other systems, with appropriate books of account being properly maintained throughout the year.

I have been able to form an opinion with regard to adherence to Corporate Governance displayed by the Council and found this to be high.

I have therefore been able to sign Section 4 (Internal Audit) of the External Audit report that all control objectives were achieved during the year to a standard adequate to meet the needs of your Council.

Action Plan

Any recommendations identified as a result of this final audit and taking account of interim recommendations which may still require action are set out below:-

ACTION PLAN

Recommendation	Priority	Officer Responsible	Agreed Action and Completion Date
Review the online payments system	Immediate	Council R.F.O.	August 2019
Consider use of current web site	Immediate	Council R.F.O.	August 2019

Schedule of testing against control objectives

I set out in appendix 1 my findings in relation to the control objectives incorporated in the Annual Internal Audit Report required by the External Auditors. My tests throughout the year are a mixture of compliance and substantive tests.

I am grateful for the co-operation of all staff.

D M LATHAM



INTERNAL AUDITOR