

Report of the Internal Auditor to Verwood Town Council

2021/22 Final Internal Audit - June 2022

1. Introduction and Audit Procedure

The Council is required to submit an annual report, within which ten objectives of financial controls are set out. The Internal Auditor is required to give their conclusion regarding whether each control objective, in all significant respects, has been achieved throughout the financial year.

Internal audits are carried out twice yearly, in accordance with the Audit Plan and the Internal Audit Terms of Reference. Eight of the ten objectives, relating to the Council's transactions, had been tested at the interim audit carried out during February 2022. This final audit re-tested some of these, in addition to the remaining two objectives. An extract from the Audit Plan is appended to this report, with the areas covered by this audit marked.

2. Findings

2.1. Recording of Transactions

Transactions are recorded electronically the Sage accounting system which has now been replaced with Xero cloud-based accounting software. Figures from Sage has been transferred to Xero and reconciled. Files are maintained containing all source documents, plus the Council's bank statements. Cheque and paying-in books are also retained but very minimal use. An accounts summary is produced monthly.

2.2. Invoices / Other Payments

78 expenditure transactions were recorded in March 2022:

- 11 bill payments in relating to salaries and associated payroll deductions,
- 5 cheques relating to other supplies of goods and services,
- 19 direct debits,
- 43 internet / phone bank payments

These was reconciled to payroll summary report, invoices and cheque book (as appropriate) and the bank statement.

2.3. Income Received

20 Income transactions were recorded in March 2022:

- 4 entries on paying-in slips and
- 1 entry for bank credit
- 15 faster payments inwards

These was reconciled to the relevant bank statements.

2.4. Higher Value Transaction Check

Checks of transactions over £2,000.00 were carried out for the whole of the financial year, all entries were correctly recorded.

2.5. Petty Cash

Petty cash was sample checked at the first interim audit. In accordance with the Audit Plan, no further checking was carried out at this audit.

2.6. Payroll Transactions

Payroll transactions were sample checked at interim audit. In accordance with the Audit Plan, no further checking was carried out at this audit.

2.7. Budgetary Process / Monitoring

The budget for the year had been drawn up and accepted, and regular monitoring reports were produced. Movements between funds were approved as part of the process.

2.8. Movements Between Accounts and Investments

Automated transactions take place between the Council's current account and instant access investment account – these ensure that a sufficient balance is held within the current account to meet day to day expenditure, whilst still taking maximum advantage of the higher interest rate offered by the instant access account. These transactions for a sample month had been reconciled at the interim audit.

2.9. Asset Register / Risk Management Statements

The Asset Register was viewed during the audit. A copy of the Risk Management Statement, as recorded in minute 201/21 of the Finance & General Purposes Committee, was obtained prior to the audit.

2.10. Bank Reconciliation

The year-end bank reconciliation was view. Account balances and the listing of unrepresented cheques was reconciled to the bank statements.

2.11. Year End Accounts

The figures used in the year end accounts were checked back to working papers, including a trail balance and transaction details from the financial system.

2.12. Standing Orders and Minutes There have been no changes to the standing orders since previous audit.

3. Conclusion

Between the interim and final audits, all ten control objectives as listed in the Annual Report have been checked. Therefore, in the Auditor's opinion, the Council has achieved the control objectives in all significant respects.

A handwritten signature in black ink, appearing to read 'Chris Larnyoh', with a horizontal line underneath it.

Chris Larnyoh
14 June 2022

Appendix – Audit Plan

An extract from the Audit Plan is shown in the table below; ticks indicate the checks that carried out at this audit, and the control objective(s) that they test.

Control objective:	1	2	3	4	5	6	7	8	9	10
Take as a sample all transactions within a selected month or all transactions over a set level, and reconcile accounts print from Financial System to:										
• Manual accounts records	✓	✓			✓	✓	✓			
• Bank statements	✓	✓			✓	✓	✓			
• Cheque book / paying in book	✓	✓			✓	✓	✓			
• Invoice documents / petty cash vouchers	✓	✓				✓				
Sample check Payroll calculations and deductions							✓			
View budget and monitoring reports				✓						
View Bank Statements for investments, reconcile any movements to/from main account								✓		
View sample bank reconciliation, reconcile to bank statement									✓	
View Asset Register								✓		
View year-end accounts, checking supporting documentation										✓
Check policies and documents (e.g. Risk Management, Standing Orders, etc.)		✓	✓							
View Council and Committee minutes		✓								

Control objectives:

- 1 Appropriate books of account have been properly kept throughout the year.
- 2 The Council's financial regulations have been met, payments supported by invoices, expenditure approved and VAT appropriately accounted for.
- 3 The Council assessed the significant risks in achieving its objectives and reviewed the adequacy of arrangements to manage these.
- 4 The annual precept requirement resulted from an adequate budgetary process, progress regularly monitored, and reserves were appropriate.
- 5 Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.
- 6 Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.
- 7 Salaries to employees and allowances to members paid in accordance with Council approvals, and PAYE and NI requirements properly applied.

- 8 Assets and investments registers were complete, and accurately and properly maintained.
- 9 Periodic and year-end bank account reconciliations were properly carried out.
- 10 Year-end accounts were prepared on the correct accounting basis, agreed with cash book, were supported by an adequate audit trail from underlying records, and, where appropriate debtors and creditors were properly recorded