



Kent and Essex IFCA

INTERNAL AUDIT REPORT

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1 SUMMARY

The requirements for an internal audit function come under local government legislation, section 151 of the Local Government Act 1972. The Accounts and Audit (Amendment) Regulations 2006 also identify the need for internal audit.

The Parish Council has a statutory responsibility to prove adequate and effective Internal Audit by engaging an Internal Auditor. The role of the Internal Auditor is to provide an independent review and appraisal of the Council's system of internal control.

The internal auditor must be independent of the activities he audits so as to remain impartial and effect professional judgements and recommendations.

In accordance with the agreed audit plan (Appendix B) and following our audit visit to you on 2 May 2018, we have completed audit testing in the following areas:

- Contracts
- Cheque books
- Income
- Payments
- Assets
- Risk Assessments
- Petty Cash
- Account books
- Reconciliations
- VAT
- Insurance
- Reporting
- Year End Return

2 FINDINGS

Contracts

1. We identified that there were five payments over £5000. KEIFCA's Financial Regulations state where a contract is over £5000 the RFO shall invite three quotations from three appropriate firms or make arrangements where he thinks are for procuring the goods or executing the works, however this does not apply if there is only one source of supply. Quadbikes are purchased annually by the authority and the same supplier is used. A quote from three companies should be obtained when the quadbikes are next purchased so that the Authority can demonstrate best value for money is being achieved.

Cheque Books

2. Cheques are rarely used by the Authority. A 100% test of the cheques used for the 17/18 financial year were completed. This identified that four of the cheques had not been signed by an authorised signatory. The Financial Regulations state that one duly authorised signatory. See Issue 1

Banking

3. Banking is completed when it is required. We identified that the frequency of the banking is appropriate to the level of income that the Authority receives.

Investments

4. All investments under the control of the Authority shall be negotiated by the RFO in the name of the Authority. The Treasury Management strategy was presented to members and agreed on 23 May 2017. Investments are held by Kent County Councils.

Accounts

5. Kent County Council are responsible for the Authorities accounts. We have been informed by the Financial Advisor that the person responsible for entering the accounts is no longer in their role. Therefore, the information entered on to the accounts will be improved so that there is a clear audit trail or income.

Bank Reconciliations

6. We identified that bank reconciliations are carried out at the end of each month. Bank reconciliations are prepared by an officer in Kent County Councils finance team and then authorised by the financial advisor.



VAT

7. Through testing income and expenditure we were able to check if VAT had been correctly recorded and entered into the accounts. We did identify one invoice when testing the expenditure. The invoice did not constitute a valid VAT invoice due to the fact it had not included the address of the company it was issued by and it had not recorded the VAT separately. See Issue 2.

Insurance

8. Professional advice is obtained through the insurance broker that the Authority use. Through testing we identified that the Authority acquire the appropriate level of insurance.

Expenditure

9. We established that all expenditure had a supporting invoice and was able to be reconciled to the bank statement and accounts. We identified one invoice out of a sample of ten that did not meet the appropriate VAT requirements (see issue 2). All expenditure had been signed off by the Office Manager and Chief Fishery Officer in line with the Authorities Financial Regulations.

Risk Assessments

10. We obtained evidence that the Authority have identified the significant risks and have created risk assessments. Each risk has an owner and a record is kept of when the risk assessment was completed and the date of the next review.

Budget Reporting

11. Detailed expenditure and income for the current financial year to date against the budgets set for current financial year should be reported at least quarterly. Testing established that quarterly reports are produced to the Authority by the financial advisor.

Income

12. Testing identified that correct prices were charged for income. We did identify payments that provided limited information in the description which made it difficult to reconcile. Through testing, we identified one payment received through backs that did not reconcile to the name on the Whelk Permit. This was due to the permit holder being different to the payee. See issue 3



Petty Cash

13. A reconciliation of petty cash identified that the pound was old currency which needs to be banked. There were also several payments within the petty cash for car wash's, however, there was no receipt but a hand-written note. All payments should have a supporting receipt. See issue 4

Assets

14. Due to the adverse weather conditions on the date of the visit, an asset check on the Nerissa was unable to be completed. Testing identified that all assets were present in the Ramsgate office. The assets were not security marked in the office. In addition, we did identify that the laptops were left on the tables once the officers had left. See issue 5.

3 Mid Year Issues

Issue 1

- Ensure there is due diligence on new suppliers. If officers are purchasing from Amazon checks should be made to ensure that the invoice is correct and if the item is from China or another country outside of the EU the VAT number should be checked. Otherwise the VAT could be claimed incorrectly. Officers with purchase cards are reminded that they are the only persons authorised to use their cards.

Year End

- We established there is a new process in place when purchases from Amazon are completed. The Office Manager stated that VAT numbers are now checked against the register to see if they are genuine. We were informed that one invoice had been identified as having an incorrect VAT number through this process. The Office Manager then takes a screen shot demonstrating a valid VAT number. We advised the Office Manager that a screen shot was not necessary.
- The purchase cards were not tested at Year-end.

Issue 2

- Ensure that where appropriate all invoices display a VAT number. For expenditure relating to overnight accommodation ensure that appropriate approval has been sought.

Year End

- We identified that VAT invoices still remain an issue at KEIFCA as one payment out of ten tested was not a valid VAT invoice.

Issue 3

- Ensure that KCC finance are reminded to ensure that the description of transactions is meaningful.

Year End

- Testing did identify that one entry in the accounts after the Mid-Year report had been issued did not provide a detailed description, however, we have been informed that there is now a new person in place to enter information into KEIFCA's accounts.

4 Year End Issues

Issue 1- Cheques signatories

- Every cheque requires a signatory to comply with the Financial Regulations.

Issue 2- VAT Invoices (Mid Year)

- Each VAT invoice should meet a set of criteria. Each invoice should be compared against the criteria so that valid VAT invoice is being obtained. The link provides the information which should be contained on a VAT invoice:
<https://www.gov.uk/vat-record-keeping/vat-invoices>

Issue 3- Income

- When income is received there should be a clear audit trail which enables the income received to be reconciled to the object that the income has been received for. The permit forms should be improved to record the payee as they would appear on the bank statement.

Issue 4- Petty Cash

- Petty cash expenditure should be supported by a valid receipt. If a valid receipt is unable to be obtained then a different car wash should be used.

Issue 5- Assets

- All laptops should be locked away in cabinets to prevent any misappropriation when the office is closed. All evidence equipment should be locked away in a separate cabinet.

Appendix A – Audit Plan 2017/18

The Amendments to the Accounts and Audit Regulations 2006 require that an internal audit plan is prepared for your Council to consider and formally approve.

The majority of the audit work will be done by sample testing a sufficient number of transactions to gain an assurance that the systems of financial control work effectively and provide accurate information to support the Council's activities. It is therefore proposed that a review of the following control objectives is carried out to ensure they are being achieved throughout the year to a standard adequate to meet the needs of the Council:

- Significant risks are assessed by the Council to ensure objectives are achieved along with a review of the adequacy of the arrangements to manage these
- Appropriate books of account have been kept accurately throughout the year
- The annual precept requirement resulted from an adequate budgetary process with progress against the budget regularly monitored and reserves appropriate
- The Council's financial regulations have been met, payments supported by invoices with expenditure approved and VAT appropriately accounted for
- Expected income fully received, based on correct prices, accurately recorded and promptly banked; and VAT appropriately accounted for
- Petty cash payments properly supported by receipts with expenditure approved and VAT appropriately accounted for
- Salaries to employees and allowances to members paid in accordance with Council approvals, and PAYE and NI requirements accurately applied
- Complete and accurate Asset and Investments registers that are properly maintained
- Regular and year-end bank account reconciliations accurately carried out
- Accounting statements prepared during the year are prepared on the correct accounting basis, agreed to the cash book, supported by an adequate audit trail from underlying records, and where appropriate debtors and creditors accurately recorded
- Where applicable trust funds (including charitable) responsibilities as trustee are met by the Council
- Awareness to the potential for fraud, error or non-compliance, and any issues that may increase this potential, including a review of the arrangements for the security of systems and data.