

To: Stedham with Iping Parish Council

Internal Audit 2018/19: Memorandum and Letter of Representation

The Parish Council's records and systems of Internal Control have been reviewed for the year ended 31 March 2019. Other than the points note below the control objectives were achieved during the financial year. For 2018/19 the figures have been changed from an income & receipts basis to an accruals basis. The effect has been to increase reserves at 31 March 2019 by £87 and to remove VAT from the 2018/19 Receipts and Expenditure of the Accounting Statement set out on page 5.

Organisation

It is understood the former Clerk resigned her position on 31 May 2018 and was replaced. The role of the RFO was not given to the new Clerk and instead a self-employed bookkeeper was appointed. Although there is mention in the Council minutes of the intention to prepare a formal remit for the RFO this has not been put in place. As the appointee was not experienced in the role of RFO she was unaware of the job responsibilities and received no training/handover. From conversation with the RFO it became clear that financial management has been conducted as a collective responsibility within the Finance & General Purpose (F&G P) Committee and as a result the statutory role of RFO was not adequately fulfilled.

Formal meetings of the F&GP committee were held four times during the year with informal communication being taking place online and documents being made available through Dropbox. It was also noted that the RFO did not attend full Parish Council meetings.

Currently the web site currently states that the Clerk has financial responsibility but there is no evidence to support this.

It is recommended that the statutory position of RFO be formally appointed with clear written roles and responsibilities assigned and that the jobholder receives training in order that they become accountable to the Parish Council for all financial matters.

Cash Book:

The previous electronic cash book which supported the monitoring and the preparation of Local Authority reports was abandoned in favour of an unformatted Excel sheet and made available to the F&GP committee online through Dropbox. (A comment in the F&GP minutes states that some members of the committee could not understand previous reports) While budgetary control was undertaken with regular bank reconciliations monitoring progress versus budget and previous years actuals was not possible. This became a major issue with the preparation of the annual statements when the existing analysis did not meet the requirements for the AGAR forms and additional schedules required to complete the Annual Returns.

It is recommended that the previous electronic cash book be reintroduced which facilitate the correct analysis and enables budget and prior year comparison to be carried out consistent with Local Authority requirements.

Banking: Internal Controls

In February banking arrangements became online with four authorised signatories (including RFO). Although every payment was fully supported by the appropriate signed documentation there still exists a major control weakness relating to banking arrangements as to how bank transactions are made and evidenced.

It is recommended that the RFO should act as Service Administrator in respect of banking and that more robust systems of internal control be put in place.

Archives

At the time of the internal audit no consideration has been given of how/who will organise the holding of the financial records for the year.

It is recommended that the appropriate records are correctly filed and held securely to comply with legal requirements for future reference if required

Risk / Reserves Policies

It was noted that a deficit budget of £8287 has been set for 2019/20. With reserves being £5281 0on 1 April 2019 a contingency plan needs to be put in place by the Council to maintain solvency throughout the year.

Robert Morrison
Internal Auditor

23 May 2019