

APPROVAL OF THE 2018/19 ANNUAL INTERNAL AUDIT REPORT

AGENDA ITEM No. 10

MEETING: COUNCIL
DATE: 12TH JUNE 2019
REPORT BY: FINANCE MANAGER

1.0 Purpose of the Report

1.1 The purpose of this report is to put forward for approval the Annual Internal Audit Report, which forms part of the Council's Annual Governance and Accountability Return, for the 2018/19 financial year.

2.0 Background to the Report

2.1 In accordance with Regulation 5 of the Accounts and Audit Regulations 2015, the Council '*must undertake an effective internal audit to evaluate the effectiveness of its risk management, internal control and governance processes, taking into account public sector internal auditing standards or guidance*'.

2.2 As Members are aware, the Council employs a part time Internal Auditor working 18 hours a week. This enables an Annual Internal Audit Plan totalling up to 108 audit days to be undertaken every year.

2.3 This Annual Internal Audit Plan provides for the review of all major systems and service areas at least once every year, ensuring that the Council meets the non-statutory requirements for internal audit for town and parish councils, as set out in 'Governance and Accountability for Smaller Authorities in England'.

2.4 Progress on the completion of the Internal Audit Plan, including the key findings, conclusions and recommendations from each individual audit, is reported to and considered by the Council's Audit Sub Committee on a quarterly basis.

2.5 Any significant weaknesses in the Council's internal control arrangements identified during the year would be reported to the Audit Sub-Committee, and subsequently to the Council in the annual review of the effectiveness of the system of internal control. As reported to the Council meeting on 13th March 2019, there were no weaknesses in internal control identified during the 2018/19 financial year.

2.6 A review of the Council's internal audit arrangements was undertaken in 2018/19 which concluded that they are operating effectively and are relevant to the size of the Council and the scope of its activities. This review was approved by the Council's Policy and Resources Committee on the 6th March 2019 and provides assurance that the Council's internal audit arrangements are fit for purpose

3.0 2018/19 Annual Internal Audit Report

- 3.1 The Council's 2018/19 Annual Governance and Accountability Return includes an Annual Internal Audit Report.
- 3.2 This report sets out ten internal control objectives which highlight the key systems, procedures and internal controls that are expected to be in operation in larger town and parish councils during the financial year.
- 3.3 These internal control objectives are as follows:-
1. Appropriate accounting records have been properly kept throughout the financial year.
 2. The Council complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.
 3. The Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.
 4. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was 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, all petty cash expenditure was approved and VAT appropriately accounted for.
 7. Salaries to employees and allowances to members were paid in accordance with the Council's approvals, and PAYE and NI requirements were properly applied.
 8. Asset and investments registers were complete and accurate and properly maintained.
 9. Periodic and year-end bank account reconciliations were properly carried out.
 10. Accounting statements prepared during the year were 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 were properly recorded.
- 3.4 The Council's Internal Auditor is expected to provide a conclusion as to 'whether, in all significant respects, each internal control objective has been achieved throughout the financial year to a standard adequate to meet the needs of the Council'.
- 3.5 If the Internal Auditor is not able to provide a 'yes' response to an internal control objective, they are required to 'state the implications and the action being taken to address any weakness in internal control' that may have been identified.

- 3.6 If an internal control objective has not been covered during the year, the Internal Auditor must state 'when the most recent internal audit work was completed in this area and when it is next planned'.
- 3.7 A copy of the Annual Internal Audit Report for the year ended 31st March 2019 is attached to this report at Appendix 1 for Members' consideration.
- 3.8 As can be seen, based on the internal audit work completed during the 2018/19 financial year, the Council's Internal Auditor is satisfied that all of the internal control objectives have been achieved throughout the year to an adequate standard and has completed and signed the Internal Audit Report to confirm this.
- 3.9 It is therefore recommended that the 2018/19 Internal Audit Report is approved.

4.0 Policy Implications

- 4.1 The preparation, approval and publication of the Annual Internal Audit Report assists in the delivery of the following Council Aims:-

Council Aim 1 - "To provide good quality governance and management of the Council"

Council Aim 2 - "To manage the Council's finances and assets in a responsible manner".

5.0 Staffing Implications

- 5.1 The Annual Internal Audit Report has been independently reviewed and completed by the Council's Internal Auditor based on the audit work undertaken in the 2018/19 Internal Audit Plan, as reported to the Council's Audit Sub Committee.

6.0 Financial Implications

- 6.1 The financial implications for the Council are fully set out in the report.

7.0. Crime and Disorder Implications

- 7.1 None.

8.0 Equal Opportunities Implications

- 8.1 The 2018/19 Annual Return incorporating the Annual Internal Audit Report will be made available at the Council Offices and on the Council website.
- 8.2 Copies of the 2018/19 Annual Return would be made available in alternative formats upon request.

9.0 Environmental Implications

9.1 None.

10.0 Risk Assessment

10.1 Internal audit is a key factor in ensuring effective risk management arrangements within the Council and an audit of the Council's risk management arrangements is undertaken as part of the Annual Audit Plan.

11.0 General Data Protection Regulations (GDPR)

11.1 There is no personal or sensitive data required for this proposal which may have any implications for GDPR.

12.0 Recommendations

12.1 It is recommended that the Annual Internal Audit Report in respect of the 2018/19 financial year is approved.

Annual Internal Audit Report 2018/19

Great Aycliffe 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 2019.

The internal audit for 2018/19 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.	✓		
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 2017/18, it met the exemption criteria and correctly declared itself exempt. (<i>"Not Covered" should only be ticked where the authority had a limited assurance review of its 2017/18 AGAR</i>)			✓
L. During summer 2018 this authority has correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations.			Not applicable ✓
M. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.			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

01/04/2018 31/03/2019

Name of person who carried out the internal audit

Kirsten Bertram

Signature of person who carried out the internal audit

K Bertram

Date

31/05/2019

*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).