

Additional Notes to the Annual Internal Audit Report 2018/19

Kilmington Parish Council

Internal Control Objectives

- A. During the year ended 31 March 2019, Kilmington Parish Council's former Responsible Financial Officer (RFO) resigned. Due to unprecedented circumstances surrounding the resignation combined in a delay recruiting a new RFO, it has not been possible to recover or obtain all the primary documentation and minutes in relation to the 2018-19 year.

However, the new Responsible Financial Officer, who was appointed with effect from 1 April 2019, together with the council have made every effort to obtain copies of records and provide all information available. In addition, the council have given explanations where necessary and verified income received and expenditure approved by the council during the years ended 31/03/2018 and 31/03/2019.

As at the 31/03/2019, The current Responsible Financial Officer was able to provide a detail ledger of income and expenditure with supporting documentation and bank reconciliations for all bank accounts.

- B. During the Period April 2017 to September 2018, the council failed to comply with its financial regulations in the following respects:
- The former RFO failed to act responsibly in administering the council's affairs, with respect to PAYE and VAT obligations.
 - The Former RFO did not produce financial management information in a timely manner.
 - The council failed to ensure it had adequate and effective internal controls that facilitated effective exercise of its function.
 - The former RFO failed to produce accounts for the year ended 31/03/2018, provide information to the council for adequate budgetary control, complete the AGAR report or follow correct auditing procedures.

The majority of payments have been verified by matching them to invoices for the year ended 31 March 2019. Chequebook stubs that were provided, have been reviewed and it is noted the stubs have each been signed by two councillors. However, where it has not been possible to verify against an original invoice (mostly relating to expenses occurring in the prior year), councillors have provided a signed declaration verifying the payments as correct to the best of their knowledge.

- C. Following the resignation of the former RFO, the council members together with the new RFO undertook a review of all policies and procedure surrounding Financial Regulations, controls and administrative duties (in particular the timely preparation of council meeting minutes). As a result of this, we now believe the council to have assessed the significant risks it faces to achieving its objectives and put in place suitable arrangement to manage these risks in future, preventing a recurrence of the issues that arose before September 2018.

- D. Based on the minutes dated 26/02/2019, an adequate budgetary process was undertaken by council to calculate the precept requirements. The minutes that have been made available only provide limited evidence that progress against the budget was regularly monitored. Reserves remain at a level in excess of twice the annual precept. This is explained by the fact that reserves are held from previous land disposals and are maintained to fund future capital projects in the parish.
- E. Expected income was fully received, recorded and banked, based on the information provided by the council. VAT was not properly accounted for by the former RFO for 2017/18 or 2018/19. This is currently being rectified by the current RFO and returns will be submitted in order to recover any allowable VAT.
- F. No Petty cash held.
- G. Although payment of salaries and allowances to members were authorised by council, allowable in accordance with its regulations, and PAYE and National Insurance Contributions deducted where necessary, the correct procedures to file this information under Real Time Information submissions with HMRC were not followed. Although this matter is now being resolved by the current RFO, we conclude that payroll requirements were not correctly applied during the 2017-18 year or the 2018-19 year.
- H. Suitable asset registers were provided and are complete and accurate. No investments are held other than money retained in deposit accounts (which have been verified against bank statements).
- I. Copies of minutes have been provided for various periods throughout the 2018-19 year together with bank reconciliations provided for all three bank accounts at the year end. This indicates that periodic Bank Reconciliations were properly carried out throughout the 2018-19 year.
- J. Accounting statements prepared by the current RFO and as summarised in Section 2 of the AGAR report were prepared on a receipts and payments basis. The figures agreed to the cashbook and had an adequate audit trail from the underlying records.
- K. The Parish Council did not undertake a limited assurance review or correctly declare itself exempt for the 2017-18 year. As such Kilmingdon Parish Council was issued with a Public Interest Report.