

SALISBURY CITY COUNCIL

Report

Subject : Interim Internal Audit Report
Committee : Full Council
Date : 18 November 2019
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1. Report Summary

- 1.1. This report introduces the Interim Internal Audit report, its findings and recommendations, and the management actions to be undertaken to mitigate the risks identified as a result of this interim audit.
- 1.2. This interim audit focussed on a review of the Financial Regulations and Standing Orders, Risk Assessments, Budgeting Process, Bookkeeping, Salaries and the Fixed Asset Register.

2. Background

2.1. The Council's Internal Audit is governed by the Financial Regulations and Internal Financial Controls (the Regulations), under section 2, which requires the Council to have, under clause 2.4, "an adequate and effective system of internal audit of its accounting records, and of its system of internal control in accordance with proper practices".

2.2. Relevant clauses within the Regulations, state that:

Clause 2.5

The internal auditor shall be appointed by and shall carry out the work in relation to internal controls required by the Council in accordance with proper practices.

Clause 2.6

The internal auditor shall:

- Be competent and independent of the financial operations of the Council;
- Report to Council on a regular basis with a minimum of one annual report during each financial year;
- Demonstrate competence, objectivity and independence, and be free from any actual or perceived conflicts of interest; and
- Not be involved in the financial decision making, management or control of the Council.

Clause 2.10

The RFO shall bring to the attention of all councillors, at the next meeting of Full Council, any report from internal or external auditors.

2.3. The Council's internal auditor is Mulberry & Co, appointed in 2017.

3. Interim Internal Audit Report

- 3.1. The Interim Internal Audit report is attached at **Appendix A**.
- 3.2. In summary, the report found that “the systems and internal procedures at Salisbury City Council are well established, and followed”.
- 3.3. The report further found that “the council takes governance, policies and procedures very seriously and I am pleased to report that overall the systems and procedures {the Council} have in place are fit for purpose”.
- 3.4. The audit provided, in respect of the core audit objectives, the following opinions:

A - Books of Account

The accounting systems are well ordered, routinely maintained, contain a good level of segregation, and sufficient internal controls to reduce the inherent risk of error.

B - Financial Regulations, Governance and Payments

{The Council} complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was properly accounted for.

C - Risk Management and Insurance

The authority assess the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

D - Budget, Precept and Reserves

The Council is following proper practices.

G – Payroll

Salaries to employees and allowances to members were paid in accordance with the authority’s approvals, and PAYE and NI requirements were properly applied.

H – Assets and Investments

Asset and investments registers were complete and accurate and properly maintained.

I – Bank and Cash

Bank reconciliations are performed monthly and signed off by a councillor.

K – Trusteeship

Filings are up to date.

Note: E – Income and F – Petty Cash will be tested at the second interim audit visit. J – Year end accounts will be tested at the year end audit.

4. Internal Audit Recommendations

- 4.1. The audit findings and recommendations are detailed in **Appendix B**, alongside the potential risks of the reported findings, the management actions proposed to mitigate or eliminate the risks where applicable, the responsible officers for implementing the management actions, and the target dates for completion.
- 4.2. In respect of the three recommendations proposed, management actions have been identified and compensating controls will be put in place to offset the risks identified.

5. Recommendations

- 5.1 It is recommended that Full Council note the Interim Internal Audit review, its findings and recommendations, and the proposed management actions in respect of these findings and recommendations.

5. Background Papers

Appendices A and B