

Kirby Cane & Ellingham Parish Council

Internal Audit Report 2015-16

and

Explanatory Notes for Annual Return 2015-16

Prepared by Luisa Cantera, 23 May 2016

I have completed an internal audit of the accounts for Kirby Cane & Ellingham Parish Council for the period 1 April 2015 to 31 March 2016. My findings are detailed below using the tests provided in the Governance and Accountability for Local Councils – A Practitioners' Guide (England).

Internal control	Test	Observations
Proper bookkeeping	Is the cashbook maintained and up to date?	Yes. A paper cashbook is maintained and in order. There is also an Excel spreadsheet replicating the paper cashbook.
	Is the cashbook arithmetic correct?	Yes.
	Is the cashbook regularly balanced?	Yes.
a) standing orders and financial regulations adopted and applied; and b) payments controls	Has the council formally adopted standing orders and financial regulations?	The Council reviewed standing orders in March 2015. Financial regulations were reviewed and adopted in March 2015. See note 1.
	Has a Responsible finance officer been appointed with specific duties?	Yes – Clerk is also RFO.
	Have items or services above the de minimus amount been competitively purchased?	Few services are used. The insurance policy for 2015-16 was year 2 of a 3-year contract.
	Are payments in the cashbook supported by invoices, authorised and minuted?	Yes, all payments are supported by invoices and minuted. From July 2015 invoices have not been initialled by signatories. Signatories are Richard Lees, Julie Pickering, Ian Wright and Laurence Cannard. See note 2.
	Has VAT on payments been identified, recorded and reclaimed?	The last VAT refund claim was submitted by RFO in April 2016 covering February 2015 – March 2016. Amount of claim: £516.49.
	Is s137 expenditure separately recorded and within statutory limits?	Yes, grants are recorded in the cashbook and highlighted as s137 expenditure. The total recorded for 2015-16 was within the statutory limit.
Risk management arrangements	Does a review of the minutes identify any unusual financial activity?	No.
	Do minutes record the council carrying out an annual risk assessment?	A risk management policy was adopted in March 2016. Some areas are a little vague, such as a councillor regularly inspecting

Internal control	Test	Observations
		the play area.
	Is insurance cover appropriate and adequate?	Insurance is provided by Came & Company.
	Are internal financial controls documented and regularly reviewed?	Yes, Financial Regulations are published on the Council's website. The Chairman signs the cashbook at each meeting and signs bank statements. An annual internal control review took place in March 2016.
Budgetary controls	Has the council prepared an annual budget in support of its precept?	Yes, for 2015-16 year approved in the Council meeting minutes of 20 January 2015.
Income controls	Is actual expenditure against the budget regularly reported to the council?	Yes, expenditure against budget was provided by RFO at September 2015 meeting. The RFO provides the bank balance at each meeting.
	Are there any significant unexplained variances from budget?	All variances have explanations in Annual Return, most on expenditure statement.
	Is income properly recorded and promptly banked?	Recorded in paper cashbook. One income receipt not provided. See note 3.
	Does the precept recorded agree to the Council Tax authority's notification?	Yes, remittance advice included with receipts (received April 2015 and September 2015).
	Are security controls over cash and near-cash adequate and effective?	No cash received by RFO.
Petty cash procedures	Is all petty cash spent recorded and supported by VAT invoices/receipts?	No petty cash in operation.
	Is petty cash expenditure reported to each council meeting?	N/A
	Is petty cash reimbursement carried out regularly?	N/A
Payroll controls	Do all employees have contracts of employment with clear terms and conditions?	Yes. Clerk has an employment contract and job description.
	Do salaries paid agree with those approved by the council?	Yes. Audit trail documents show monthly payments, tax and NI.

Internal control	Test	Observations
	Are other payments to employees reasonable and approved by the council?	Yes.
	Have PAYE/NIC been properly operated by the council as an employer?	Yes, PAYE undertaken by RFO.
Asset controls	Does the council maintain a register of all material assets owned or in its care?	Yes. Asset register last updated April 2015.
	Are the assets and Investments registers up to date?	Yes.
	Do asset insurance valuations agree with those in the asset register?	Yes.
Bank reconciliation Year-end procedures	Is there a bank reconciliation for each account?	Only one account in operation. Clerk provides a simple reconciliation bi-monthly on bank statements.
	Is a bank reconciliation carried out regularly and in a timely fashion?	As above.
	Are there any unexplained balancing entries in any reconciliation?	None found.
	Is the value of investments held summarised on the reconciliation?	None listed.
	Are year-end accounts prepared on the correct accounting basis (Receipts and Payments or Income and Expenditure)?	Yes, accounts are prepared on a receipts and payments basis.
	Do accounts agree with the cashbook?	Yes.
	Is there an audit trail from underlying financial records to the accounts?	Yes.
Transparency Code	Where appropriate, have debtors and creditors been properly recorded?	Yes. There is one un-presented cheque of £10 at year end clearly shown on year end bank reconciliation.
	Is the Council adhering to the Transparency Code? (only relevant for councils with turnover of under £25,000)	Yes. Relevant documents are displayed on the Council's website.

Notes:

1. Financial Regulations – There has been a recent update (January 2016) to the model financial regulations (with a few minor changes). It is recommended that the Parish Council adopts the new regulations. This document is available from the SLCC website.
2. Signatories initialing invoices – Although the Council's financial documents do not require this, it is recommended that authorising signatories initial invoices to demonstrate that they have seen the invoice at the time of payment and have checked the amount is the same as the cheque payment.
3. Receipts – The RFO needs to provide documentation/audit trail relating to income received for lease of land for allotments. There is one receipt missing from the Kirby Cane & Ellingham Charity of £300 received in December 2015.
4. Grants – It is recommended that the Council introduces a grant award scheme. This way the Council can make a judgement on how many people a grant is going to benefit whilst obtaining uniform data from organisations seeking grants.

Luisa Cantera
23 May 2016