

Kirby Cane & Ellingham Parish Council

Internal Audit Report

Financial Year 2016-17

Prepared by Luisa Cantera, 11 May 2017

I have completed an internal audit of the accounts for Kirby Cane & Ellingham Parish Council for the year ending 31 March 2017.

My findings are detailed below using the tests provided in the Governance and Accountability (England) 2017.

| Internal control | Test | Observations |
|---|--|---|
| Proper bookkeeping | Is the cashbook maintained and up to date? | Yes, now using Excel to prepare accounts. |
| | Is the cashbook arithmetically correct? | Yes. |
| | Is the cashbook regularly balanced? | Yes. |
| Standing Orders, Financial Regulations and payment controls | Has the council formally adopted Standing Orders and Financial Regulations? | Yes. |
| | Date Standing Orders last reviewed | 27 March 2017. |
| | Date Financial Regulations last reviewed | 27 March 2017. |
| | Has a Responsible finance officer been appointed with specific duties? | Yes. |
| | Have items or services above the de minimus amount been competitively purchased? | Yes. |
| | Are payments in the cashbook supported by purchase orders, invoices, authorised and minuted? | Yes. |
| | Has VAT on payments been identified, recorded and reclaimed? | VAT reclaim received July 2016 for £516.49 (relating to 2015-16 year) and £3,293.05 received October 2016 for April 2016 to September 2016. Claim needs to be submitted for October 2016 onwards. |
| | Is s137 expenditure separately recorded and within statutory limits? | Yes. |
| | Have S137 payments been approved and included in the minutes as such? | Yes. |
| Risk management arrangements | Does a review of the minutes identify any unusual financial activity? | No. |

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|-----------------------|--|--|
| Budgetary controls | Do minutes record the council carrying out an annual risk assessment or review of their risk management scheme? | The Financial Risk Assessment and Risk Register reviewed on 27 March 2017. |
| | Is insurance cover appropriate and adequate? | Looks to be appropriate. Insurer is Came & Co. |
| | Are internal financial controls documented and regularly reviewed? | RFO presents payments and balance of accounts at each meeting. The Chairman signs these. |
| | Has the council prepared an annual budget in support of its precept and has this been minuted as being approved? | Yes, prepared at 19 January 2016 Council meeting. |
| | Has the precept been calculated from the budget and been approved? | Yes. |
| | Does the budget include an actual completed year? | Yes. |
| | Is actual expenditure against budget regularly reported to the council? | Expenditure against budget reported at the half year stage. |
| Income controls | Are there any significant unexplained variances from budget? | No. |
| | Is income properly recorded and promptly banked? | Yes, although some receipts not presented in file. |
| | Does the precept recorded agree to the Council Tax authority's notification? | Yes. |
| | Are security controls over cash and near-cash adequate and effective? | N/A |
| | Is all petty cash spent recorded and supported by VAT invoices/receipts? | N/A |
| Petty cash procedures | 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 employment contract and job description. |

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|---------------------|---|--|
| | Do salaries paid agree with those approved by the council? | Yes, audit trail shows monthly salary, tax and NI payments. |
| | Are salaries above the National Living Wage/Minimum Wage? | Yes. |
| | 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, P60 seen. PAYE undertaken by the RFO. |
| Asset controls | Does the council maintain a register of all material assets owned or in its care? | Yes, last updated 27 March 2017. |
| | Are the assets and Investments registers up to date? When were these last reviewed? | Yes, last review 27 March 2017. |
| | Do asset insurance valuations agree with those in the asset register? | Yes. |
| Bank reconciliation | Is there a bank reconciliation for each account and is this reported to council? | One account in operation. A reconciliation is provided to Council at meetings. |
| | Is a bank reconciliation carried out regularly and in a timely fashion? | Yes. |
| | Are there any unexplained balancing entries in any reconciliation? | No. |
| | Is the value of investments held summarised on the reconciliation? | None held. |
| Year-end procedures | Are year-end accounts prepared on the correct accounting basis (Receipts and Payments or Income and Expenditure)? | Yes. |
| | Do accounts agree with the cashbook? | Yes. |
| | Has a year-end bank reconciliation been undertaken? | Yes. |
| | Is there an audit trail from underlying financial records to the accounts? | Yes. |
| | Where appropriate, have debtors and creditors been properly recorded? | Yes, shown in bank reconciliation. There are several unpresented cheques at year end, totaling £10,107.12. |
| Procedural | Is eligibility for the General Power of Competence properly evidenced? | N/A, s137 used. |

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|--|---|---|
| | Have points raised on the last Internal Audit report been considered by council and actioned? | Yes: Financial Regulations have been reviewed; most invoices have initials (but still recommend this); grants award scheme now in place (adopted July 2016). |
| Transparency: For smaller councils with turnover under £25,000 | Minutes for whole year on website? | Yes. |
| | Agendas for whole year on website? | Yes. |
| | Payments over £100 detailed on website? | Yes, within minutes. |
| | Electors' rights advertised on website? | Yes. |
| | Councillors' responsibilities detailed on website? | Yes. |
| | Last financial year's Annual Return on website? | Yes. |
| | Land and building assets details on website? (Description, location, owner/leaseholder, date and cost of acquisition and present use) | Yes, in Asset Register. |
| Councils with charities | Have Charities reported and accounted separately? | The Parish Council is a Custodian Trustee of the Kirby Cane Memorial Hall and only appoints trustees to the management committee. The charity is responsible for reporting to the Charity Commission. |
| | Have the Charity accounts been independently audited? | See above. |
| | Have the Charity accounts and Annual Return been filed within the legal time limit? | See above. |

I would like to thank the Clerk/RFO for providing me with all the information required for the Internal Audit.

Summary of my recommendations:

1. Ensure the VAT from October 2016 onwards is reclaimed – this may well be in hand already.
2. The cashbook needs to show gross payments in one column, VAT element of the payment separated out and payment net of VAT in each budget headings.
3. Minor point – I would like to see more detail in relation to mileage claims (e.g. from and to, reason for journey, number of miles for the return trip).
4. Some receipts were not presented for internal audit. It is probably too late now to gain receipts for the year completed but going forward ensure that wherever possible receipts are provided in accounts file to support cashbook.



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