

Internal Audit Report for Outwell Parish Council for the year ended 31st March 2017

Having noted the comments from the Internal Audit for the year ended 31st March 2016, the Internal Auditor met with the Clerk on 23rd May 2017 to complete this year's internal audit.

A – Appropriate Books of Account have been kept throughout the year

The accounts for the year were presented including accounting statements as per the Annual Return, Receipts and Payments Summary, Bank reconciliations, petty cash books to end of October 2016 (after which the petty cash system ceased), explanation of variances, HMRC PAYE information, cheque books and paying in books. The total balances and reserves agreed with the bank reconciliation.

The Cash Book needs to be simplified into an easily accessible and readable format for ease of audit and/or public inspection. At present it is split into the calendar months within the filing system and it would be advisable to continue to keep a record with each month and have a copy of the whole cash book collated into one document.

It was noted by the Internal Auditor in 2016 that there were inconsistent recording practices regarding printer cartridges. The Clerk must ensure that these are continued be classed under one category (either Stationery or Expenses) to ensure proper control and monitoring.

B - Smaller Authority has met with financial regulations, payments supported by invoices, expenditure was approved and VAT appropriately accounted for.

A sample check was carried out of invoices and expenditure recording and was found to be appropriately accounted in the minutes and cash book summary.

The Clerk has assured that the situation with the invoices from E.ON after the switch to LED lighting has now been resolved.

Financial Regulations have been adopted by the Parish Council since the last Audit.

It is understood that the requirement is for two signatories for cheque payments. It is recommended that each signing Parish Councillor initial the cheque book stubs and the invoices at the time of approval.

C – Significant Risks assessed.

As noted in B, Financial Regulations have been adopted by the Parish Council in July 2016 and were available for inspection. It is advisable to review the Financial Regulations annually and record the review in the minutes

However, there were no Operational Risk Assessments or Standing Orders for the Council available. It is necessary for the Council to ensure that these are in place as soon as possible and are advised to reviewed annually, recording the reviews in the minutes.

It was also noted the Council has not subscribed to the Information Commissioner's Data Controller Register. It is recommended that this is done as soon as possible.

D- Precept

A budgetary document based on comparison from the previous years' expenditure and income plus anticipated expenditure and income of the current year and anticipated expenditure and income for the Precept year was prepared and used for the consideration of the Precept.

The Council monitors the budget on a monthly basis.

E – Income and VAT

This was appropriately accounted.

F – Petty Cash

Petty cash books and receipts tallied and a running total was kept in a Cash Book format. The Petty Cash system has ceased on 31st October 2016.

G – Salaries, PAYE & NI

Salary payments were correctly recorded and Bulley Davy Accountants have been instructed by the Council to submit the PAYE & NI online returns to HMRC.

Pensions – The Clerk has given notice that she does not wish to be enrolled in a workplace pension scheme. The council should ask for confirmation from Bulley Davy that their obligations regarding the workplace pension have been met.

H – Asset and Investment Register

This is satisfactory. However, the Council owns allotment land and the value of this must be considered as part of the Parish Council's assets. It is not currently recorded on the Asset Register.

I – Periodic and year end Bank reconciliations

This is carried out on a monthly and year end basis.

J – Accounting Statements

The Accounts are prepared on a receipts and payments basis. Accounting statements agreed with the monthly income and expenditure reports. As mentioned in A, the Cash Book needs to be simplified into an easily accessible and readable format for ease of audit and/or public inspection.

The previous Internal Audit raised points that the audit trail was inadequate, these issues have been resolved by the Clerk.

K – Trust Funds

This was not covered by the previous Internal Auditor. However, the Council manages at Trust out of which the capital and interest repayments for a Public Works Loan are repaid every six months. There is an agreement with the Village Hall Committee that any shortfall in interest will be made up by funds from the Village Hall Committee.

The recommendations from the previous Internal Audit have been addressed in the following ways:

1. Cash book – still needs to be simplified and standardised. Examples can be found in “The Governance and Accountability for Local Councils: A Practitioners’ Guide (England) March 2014. This is available from the SLCC website.
2. Purchasing procedures and recording of purchases has been improved by the Clerk.
3. Expenditure items are supported by invoices and VAT receipts and a list of approved expenditure is made each month.
4. The Council has resolved the issues of missing invoices from E.ON.
5. The minutes recording the authorised expenditure are reconciled with the cash book.
6. The Council has adopted Financial Regulations.
7. The Council adopted the Financial Regulations in July 2016.
8. The Council is monitoring its budget monthly.
9. The Petty Cash system has ceased as of 31st October 2016 and all purchases are now on accounts.
10. The S106 payment has been allocated and spent. It was noted in hand on the Bank Reconciliation.
11. The Annual Governance Statement and Accounting Statements were not signed as at time of audit and minute reference not completed as minutes were still in process. It is recommended that these Statements are signed at the time of approval at the appropriate meeting and the actual minute reference added when the minutes have been completed.

Recommendations from this Internal Audit:

- 1) Cash book – this needs to be simplified and standardised. Examples can be found in “The Governance and Accountability for Local Councils: A Practitioners’ Guide (England) March 2014. This is available from the SLCC website.
- 2) Cheques - It is recommended that each signing Parish Councillor initial both the cheque book stubs and the invoices at the time of approval.
- 3) Risk Assessments - Financial and Operational Risk Assessment needs to be agreed and adopted as soon as possible. A model document is available from Norfolk Association of Local Councils.
- 4) Standing Orders for the Council need to be agreed and adopted as soon as possible. A model document is available from Norfolk Association of Local Councils.
- 5) Information Commissioner's Data Controller Register. It is recommended the Council subscribes to this as soon as possible.
- 6) Pensions –The council needs to ensure that their obligations regarding the workplace pension have been met.
- 7) Allotments - Any Parish Council owned allotment land should be considered as part of the Parish Council's assets.
- 8) The Annual Governance Statement and Accounting Statements were not signed as at time of audit and minute reference not completed as minutes were still in process. It is recommended that these Statements are signed at the time of approval at the appropriate meeting and the actual minute reference added when the minutes have been completed.

Internal Audit Completed by Emma Bateman

2nd June 2017