

# **Roxby cum Risby Parish Council**

***Internal Audit Report for the year ended 31 March 2016***

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### Internal Audit Report for the year ended 31 March 2016

#### Introduction

Part 2, paragraph 5 (1) of the Accounts and Audit Regulations 2015 imposes a duty on Local Councils to “undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

Internal audit is a key component of the system of internal control. The purpose of internal audit is to review whether the systems of financial and other controls over a council's activities and operating procedures are effective.

At the request of the council I have conducted an Internal Audit review of the council's accounting records in respect of the financial year ended 31 March 2016. I have acted independently and, on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in place during the financial year.

The audit has been carried out in accordance with the council's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions and recommendations have been recorded in the table below.

	<b>Test</b>	<b>Findings and Recommendations</b>
1	The council's Financial Regulations and Standing Orders have been formally adopted and complied with.	<p>During 2015 NALC revised its Model Standing Orders to acknowledge that the introduction of the Public Contracts Regulations 2015 impacts on all parish and town councils. NALC also revised its Model Financial Regulations in 2016 to reflect changes in the contracting arrangements for the supply of goods and services.</p> <p><b>Findings</b> The Standing Orders that were approved in July 2015 do not cover the above and other topics! The Council does not have Financial Regulations!</p> <p><b>Recommendation</b> <i>The council should update/review and adopt Standing Orders - to be reviewed annually.</i> <i>The Council should prepare and adopt Financial Regulations – to be reviewed annually.</i></p>
2	RFO	<p><b>Findings</b> No evidence was located to the effect that the Clerk was also the RFO!</p> <p><b>Recommendations</b> <i>The council should approve / minute the clerk as RFO and amend the Clerks` Contract of Employment.</i></p>
3	Annual Budget & Precept calculations	<p><b>Findings</b> Periodic monitoring is being undertaken on a regular basis and is reported in the minutes.</p>

		<p>The NLC 2015/16 Precept remittance advice was not available!</p> <p><b>Recommendations</b>  <i>The council should ensure all records are kept for audit purposes.</i></p>
4	<p>Appropriate books of account have been properly maintained throughout the year.</p>	<p><b>Findings</b>  The cash book is maintained on spreadsheets on an income and expenditure basis.  The cash book is maintained and evidence has been provided that it has been balanced frequently to bank reconciliations.</p>
5	<p>Payment controls were effective and VAT was properly accounted for.</p>	<p><b>Findings</b>  I have checked all income and expenditure during the year. All payments were appropriate and were checked to the bank statements and council minutes.  There was no bank mandate to check payments had been authorised by the relevant members of the Parish Council!  All VAT has been correctly recorded and the 2014/15 claim agrees to the HMRC refund received.</p> <p>I have reviewed the tested invoices for occurrence, completeness, accuracy, cut off and classification.</p> <p>The council has no recorded s137 expenditure.</p> <p><b>Recommendations</b>  <i>A bank mandate should be put into place for the new Council commencing in May 2015.</i></p>
6	<p>The council has assessed the significant risks in delivering its activities and services.</p> <p>Financial controls are documented and regularly reviewed.</p> <p>Insurance cover is appropriate and adequate.</p>	<p><b>Findings</b>  A review of the minutes did not identify any unusual financial activity.</p> <p>The Council does not hold a Financial Risk Assessment!</p> <p><b>Recommendations</b>  <i>The Council should prepare and adopt a Financial Risk Assessment - to be reviewed annually.</i></p> <p>Insurance cover was in place and adequate for the Parish Council needs.</p>
7	<p>The annual precept requirement resulted from an adequate budgetary process.</p>	<p><b>Findings</b>  The year- end balance as at 31/03/16 is considered to be reasonable and prudent for a council of this size.  The council has prepared an annual budget in support of its precept. Progress against budget is regularly monitored.</p>

8	<p>Petty cash payments were appropriate and supported by receipts. All expenditure was approved and reported to members.</p>	<p><b>Findings</b> A separate petty cash system is not maintained. All petty disbursements by the clerk are reclaimed monthly and reimbursed through the payments system together with salary, mileage etc. Petty disbursements are reported to council as part of all other council payments.</p>
9	<p>All employees have contracts of employment with clear terms and conditions.</p> <p>Salaries to employees and all other payments and allowances were paid in accordance with council approvals.</p> <p>PAYE was correctly deducted and paid to HMRC.</p>	<p><b>Findings</b> The only employee is the Clerk. I reviewed the contract of employment which commenced on the 27<sup>th</sup> July, 2014. Terms and conditions are <i>not</i> clearly identified!</p> <p>The salary paid during the year was in accordance with the contract of employment and the National Pay Award. All other payments and allowances are reasonable and approved by the council.</p> <p><b>Recommendation</b> <i>Contract of Employment to be reviewed to include - Place of Work - Allowances - `use of home as office` etc</i></p> <p>The clerk is subject to PAYE regulations. All PAYE deductions have been correctly paid to HMRC.</p>
10	<p>Asset and investment registers were complete and accurate and reviewed on a regular basis.</p> <p>Insurance cover is adequate and sufficient.</p>	<p><b>Findings</b> The council has recently adopted an Asset Register of all material assets owned or in its care. The asset register total valuation agrees to the Annual Return.</p> <p><b>Recommendation</b> <i>The council should update/review and adopt the Asset Register on a "at cost" basis – to be reviewed annually.</i></p> <p>The council does not hold any investments.</p> <p>The insurance policy has adequate cover for the Council.</p>
11		<p><b>Findings</b> A year-end bank reconciliation has been prepared which includes the bank accounts maintained by the council.</p> <p>There are no unexplained balancing entries in any reconciliation.</p>
12	<p>Year-end accounts were prepared on the correct accounting basis and are supported by adequate working papers and adjustments, transfers, contra entries etc. which are fully explained and justified.</p>	<p><b>Findings</b> The year-end statements have been prepared on the correct accounting basis (i.e. Receipts and Payments). The statements agree with the cashbook.</p>

	<p>There is an adequate audit trail from underlying records and, where appropriate.</p> <p>Has the previous year's Internal Audit Report been submitted to council and actioned as necessary?</p>	<p>There is an audit trail from underlying financial records to the year-end statements.</p> <p>The was no evidence of a 2014/15 Internal Audit Report!</p> <p><b>Recommendation.</b> <i>The Internal Audit Report should be submitted to council and recommendations should be actioned.</i></p>
13	The council has met its responsibilities as a trustee	<p><b>Findings</b> The Council are not Trustees</p>
14	The council's minutes are maintained in accordance with legislative requirements.	<p><b>Findings</b> The minutes are in a loose leaf format and are appropriately signed and thereby complied with the requirements of the Local Government Act 1972.</p>

#### Executive Summary

The accounts of the council continue to be maintained to a high standard and the co-operation of the clerk of the council in the completion of this audit was much appreciated. The Audit was carried out on Monday 9<sup>th</sup> May, 2016.

The internal financial control environment within the council is good and the above recommendations will serve to further enhance and strengthen the systems and procedures already in place.

The Internal Audit has been conducted in accordance with the Governance and Accountability for Local Councils – Practitioners Guide 2014 and by working closely with the Clerk.

I confirm that I have no relationship or interest, financial or otherwise, with any member or officer of the council.

Brian Brooks

*BK Brooks*

9<sup>th</sup> May, 2016