


South Killingholme Parish Council

Internal Audit Report 2015/2016

Internal Auditor - Brian Brooks CILCA

14th June 2016


27-6-16

South Killingholme Parish Council

Internal Audit Report for the year ended 31st 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.

	Test	Findings and Recommendations
1	The council's Financial Regulations and Standing Orders have been formally adopted and complied with.	The Councils Standing Orders and Financial Regulations were reviewed and adopted at the APCM May 2015 <i>Please note that NALC have revised its Model Standing Orders and Model Financial Regulations due to the introduction of the Public Contracts Regulations 2015 to take account of changes in the contracting arrangements for the supply of goods and services.</i>
2	RFO	The Clerk resigned in January 2016 also carried out the role of the RFO.
3	Annual Budget & Precept calculations	Periodic monitoring was undertaken on a regular basis and reported in the minutes.
4	Appropriate books of account have been properly maintained throughout the year.	The cash book is maintained on spreadsheets on a receipts and payments basis. The cash book is maintained and evidence has been provided that it has been balanced to bank reconciliations and presented to the council.
5	Payment controls were effective and VAT was properly accounted for.	I have sampled the income and expenditure during the year, all payments were appropriate and checked with the bank statements and council minutes. All VAT has been correctly recorded and the 2014/15 claim agrees to the HMRC refund received quarterly.

		<p>I have sampled invoices for occurrence, completeness, accuracy, cut off and classification. There were no s137 payments recorded.</p> <p><u>Recommend</u> A record of the current bank mandate for all accounts should be in place to identify signatures and initials on cheques and cheque stubs.</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>The Councils Risk Management documents were reviewed and adopted at the PCM April 2014</p> <p><u>Recommend</u> A review of the Scale of Charges to be carried out and approved by Council. ie Hall hire & Sandpit field</p> <p><u>Recommend</u> The Councils Risk Management should be reviewed and adopted including Inspection Reports to be retained.</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>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>A separate petty cash system with a Credit Card is maintained for the Village Hall activities.</p> <p><u>Recommend</u> The system should be reviewed and detailed in the Councils Risk Management document.</p> <p>All petty disbursements by the clerk are reclaimed monthly and reimbursed through the payments system together with salary, mileage etc.</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>The only employee is the Clerk who resigned in January 2016, there was no contract of employment</p> <p><u>Recommend</u> A contract of Employment is required for employees in accordance with Employment Regulations detailing clear terms and conditions.</p> <p>The Hall caretaker/cleaner is self-employed.</p> <p><u>Recommend</u> Formal contractual arrangements should be in place and documented</p> <p>The Clerk managed the payroll and monthly salary payments/ allowances as approved by the council. The clerk was subject to PAYE which has been paid to HMRC</p>

		<u>Recommend Insurance conditions to be checked re payroll and wage payment for 'split duties'</u>
10	Asset and investment registers were complete and accurate and reviewed on a regular basis.	The Asset Register of all material assets owned or in its care was viewed and the total valuation agrees to the Annual Return. <i>It is noted, however, that the valuation of assets for the purpose of the Annual Return does not comply with the Governance and Accountability Guide for Local Councils (page 77) and the guidance note on the Annual Return.</i> <i>The original cost of assets should be used for the valuation in box 9 of the Annual Return. Where the original value of an asset is not known, or an asset has been donated, a proxy value should be used. The proxy value can be the insurance value at the first time of recording the asset or an estimate of its value or a nominal value of £1.00. These values should not be uplifted for inflation purposes.</i> The insurance policy has adequate cover for the Council.
11	Year end Insurance cover is adequate and sufficient.	Year-end bank reconciliation have been prepared which includes the bank accounts maintained by the council. There are no unexplained balancing entries in any reconciliation.
12	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. There is an adequate audit trail from underlying records and, where appropriate.	The year-end statements have been prepared on the correct accounting basis (i.e. Receipts and Payments). The statements agree with the cashbook. There is an audit trail from underlying financial records to the year-end statements.
	Has the previous year's Internal Audit Report been submitted to council and actioned as necessary?	Minute 10 - May PCM 2015
13	The council's minutes are maintained in accordance with legislative requirements	The minutes are in a loose leaf format and are appropriately signed and thereby complied with the requirements of the Local Government Act 1972. <u>Recommend Each loose leaf page should be signed/dated by the Chairman and be consecutively numbered.</u>