

# **GOLDHANGER PARISH COUNCIL**

## **REPORT ON INTERNAL AUDIT FOR 2016/17**

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**Internal Auditor**

**May 2017**

## INTRODUCTION

I have now carried out an internal audit of the Parish Council's financial affairs for 2016/17 from the records and documents provided. The requirements of Section 4 of the Annual Return, together with the proper practices set out in the 'Governance and Accountability of Local Councils a Practitioner's Guide' were used as the basis of my review.

I would like to thank Miss Vysian Banyard, Clerk and Responsible Financial Officer to the Council, for her assistance and congratulate her on being the first to present her accounts to me for the third year running.

## FINDINGS

From the work carried out there are a number of findings that should be considered by the Council. The most significant are highlighted below with more details in the Appendix.

1. A spreadsheet is used to record the financial transactions of the Council through the year. A financial statement and bank reconciliation are presented to the Council at its monthly meetings. Year end accounts have been prepared on a receipts and payments basis which is appropriate for a council of this size. They agreed with the cash book and the audit trail was adequate.
2. Standing Orders and Financial Regulations were reviewed and adopted by the Council at its meeting in December 2016. Financial Regulation 10.1.b states that for items costing between £3,000 and £10,000 three quotations should be obtained. There is no evidence of alternative quotations being obtained for work carried out in Marigold Wood costing £6,200 plus VAT.
3. A draft budget for 2017/18 was discussed by the Council at its meeting in December. Further discussions were held in January the precept agreed. Reports of payments made against the budget are presented to the Council at each meeting.
4. A bank reconciliation is presented to the Council each month. A councillor is tasked with checking this reconciliation on a quarterly basis and reporting to the full council. Such a check was only reported once during the year.
5. A revised Contract of Employment was finally agreed with the Clerk in July 2016. Unfortunately, this quoted out of date pay rates and did not include the nationally agreed increase payable from 1 April 2016. No allowances were paid to Councillors.
6. The register of community assets was updated for purchases made in the year.

## RECOMMENDATIONS

With reference to the above findings I recommend that the Council agree actions to address the following issues:-

1. Quotations or estimates should be obtained for work in line with agreed Financial Regulations.
2. The quarterly check of the bank reconciliation should be reported to the Council and this fact recorded in the Minutes.
3. The cost of living increases in pay agreed nationally by NALC should be paid to the Clerk.

## OPINION

The financial processes of the Council are adequately managed by the Clerk and Responsible Finance Officer.

The Council should now work with the Responsible Finance Officer to address the issues raised in this report.

*N Powell Davies*

N Powell Davies, BSc, ACMA, CGMA

5<sup>th</sup> May 2017

### GOLDHANGER PARISH COUNCIL – DETAILED FINDINGS 2016/17

Expectation	Findings	Recommendations
A Appropriate accounting records have been kept properly throughout the year.	<ul style="list-style-type: none"> <li>• An excel spreadsheet is used to record the financial transactions of the Council.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed that expectation met with.</li> </ul>
B The council's financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	<ul style="list-style-type: none"> <li>• Standing Orders and Financial Regulations were reviewed and adopted by the Council at its meeting in December 2016.</li> <li>• Financial Regulation 10.1.b states that for items costing between £3,000 and £10,000 three quotations should be obtained. There is no evidence of alternative quotations being obtained for work carried out in Marigold Wood costing £6,200 plus VAT.</li> <li>• Invoices to support payments were available and payments were approved by the Council.</li> <li>• VAT was appropriately accounted for and a claim was made in December 2016 soon after a sizeable payment.</li> </ul>	<ul style="list-style-type: none"> <li>• Quotations or estimates should be obtained for work in line with agreed Financial Regulations.</li> </ul>
C The council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	<ul style="list-style-type: none"> <li>• A revised Risk Assessment document was agreed by the Council at its meeting in March 2017. It does not include the possibility of a meeting being inquorate which is a relatively high risk with such a small council.</li> </ul>	<ul style="list-style-type: none"> <li>• The Council may consider whether to add arrangements in case of a meeting being inquorate to its risk assessment.</li> </ul>

Expectation	Findings	Recommendations
<p>D The annual precept requirement resulted from an adequate budgetary process; progress against budget was regularly monitored; and reserves were appropriate.</p>	<ul style="list-style-type: none"> <li>• A draft budget for 2017/18 was discussed by the Council at its meeting in December. Further discussions were held in January and the precept agreed at the same level as the previous year.</li> <li>• Reports of the financial position are presented to the Council at its monthly meetings.</li> <li>• The level of the Council's general reserves is appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed that expectation met with.</li> </ul>
<p>E Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.</p>	<ul style="list-style-type: none"> <li>• There are few sources of income to the Council and none of them are liable for VAT.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed that expectation met with.</li> </ul>
<p>F Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.</p>	<ul style="list-style-type: none"> <li>• Minor expenses are initially met by the Clerk and claimed monthly. They were properly supported by receipts and VAT was appropriately accounted for.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed that expectation met with.</li> </ul>

Expectation	Findings	Recommendations
<p>G Salaries to employees and allowances to members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.</p>	<ul style="list-style-type: none"> <li>• A revised Contract of Employment was finally agreed with the Clerk in July 2016. Unfortunately, this quoted the appropriate rate payable from 1 April 2015 and did not include the nationally agreed increase payable from 1 April 2016, leading to an underpayment of £22.80 for the year. A further increase to £10.467 per hour from 1 April 2017 has already been agreed nationally.</li> <li>• PAYE and NI requirements were properly applied.</li> <li>• No allowances were paid to Councillors.</li> </ul>	<ul style="list-style-type: none"> <li>• The cost of living increases in pay agreed nationally by NALC should be paid to the Clerk.</li> </ul>
<p>H Asset and investments registers were complete and accurate and properly maintained.</p>	<ul style="list-style-type: none"> <li>• The register of community assets was updated for purchases made in the year.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed that expectation met with.</li> </ul>
<p>I Periodic and year end bank account reconciliations were properly carried out.</p>	<ul style="list-style-type: none"> <li>• A bank reconciliation is presented to the Council each month.</li> <li>• A councillor is tasked with checking the reconciliation on a quarterly basis and reporting to the full council. Such a check was only reported once during the year.</li> </ul>	<ul style="list-style-type: none"> <li>• The quarterly check of the bank reconciliation should be reported to the Council and this fact recorded in the Minutes.</li> </ul>

Expectation	Findings	Recommendations
<p>J Accounting statements prepared during the year were prepared on the correct accounting basis, agreed to the cash book and were supported by an adequate audit trail from underlying records.</p>	<ul style="list-style-type: none"> <li>• Year end accounts have been prepared on a receipts and payments basis which is appropriate for a council of this size. They agreed with the cash book and the audit trail was adequate.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed that expectation met with.</li> </ul>