

GOLDHANGER PARISH COUNCIL

REPORT ON INTERNAL AUDIT FOR 2015/16

N Powell Davies ACMA, CGMA

Internal Auditor

May 2016

INTRODUCTION

I have now carried out an internal audit of the Parish Council's financial affairs for 2015/16 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 second 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. Revised Standing Orders based on the model issued by NALC were adopted by the Council at its meeting in July 2015.
3. Revised Financial Regulations based on the model issued by NALC were approved by the Council in February 2015. They were not reviewed during the year under consideration. Current regulations require three estimates for items costing between £300 and £3,000. There is no evidence of alternative estimates being obtained for work to improve drainage at Marigold Wood with a total cost of around £2,000.
4. A draft budget for 2016/17 was discussed by the Council at its meeting in December. This was revised before further discussions in January and an increase in the precept agreed.
5. Through the year there were a number of discussions around revising the Clerks' contract which was first agreed on her appointment to the Council in 1997 and a draft replacement has been produced. Parts of this draft do not meet current legislation, especially in respect to annual leave. No allowances were paid to Councillors.
6. The register of community assets was updated in April 2016. At its meeting in May 2015 the Council considered alternative quotations for its insurance. The documentation provided to support this decision gave a very clear comparison between the options available.

7. Good progress has been made during the year in preparation for the introduction of the new scrutiny regime, including the setting up of a web site for the Council.

RECOMMENDATIONS

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

1. Standing Orders and Financial regulations should be reviewed for continued relevance each year.
2. Additional estimates should be obtained for work expected to cost over £300.
3. The draft Contract of Employment should be revised in line with the advice on legal requirements provided to the Clerk.

OPINION

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

It is disappointing that the Council has not yet found itself able to agree a revised contract of employment with the Clerk. This could be taken as a sign of a lack of appreciation for the work that she undertakes on the Council's behalf.

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

N Powell Davies

N Powell Davies, BSc, ACMA, CGMA

3rd May 2016

GOLDHANGER PARISH COUNCIL – DETAILED FINDINGS 2015/16

Expectation	Findings	Recommendations
A Appropriate accounting records have been kept properly throughout the year.	<ul style="list-style-type: none"> • A spreadsheet is used to record the financial transactions of the Council. 	<ul style="list-style-type: none"> • Agreed that expectation met with.
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"> • Revised Standing Orders based on the model issued by NALC in 2013 were agreed by the Council at its meeting in July 2015. • There is no evidence that the revised Financial Regulations adopted in February 2015 were reviewed during the year under consideration. • Financial Regulation 10.1.b states that for items costing between £300 and £3,000 three estimates should be obtained. Two invoices of around £1,000 each were paid in connection with the work to improve drainage between Marigold Wood and the Village Hall car park. There is no evidence of alternative estimates for this work being obtained. • Invoices to support payments were available. All payments were approved by the Council. • VAT was appropriately accounted for and a claim was made in March 2016, in line with Financial Regulations. 	<ul style="list-style-type: none"> • Standing Orders and Financial Regulations should be reviewed for continued relevance each year. • Additional estimates should be obtained for work expected to cost over £300.

Expectation	Findings	Recommendations
<p>C The council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</p>	<ul style="list-style-type: none"> • Other than any discussions around completion of section 2 of the last Annual Return, there is no record of a formal review by the Council of the risks that it faces during the year. • The agenda for the Council's meeting in April 2016 included a review of the Risk Assessment Schedule. • At its meeting in May 2015 the Council considered quotations for its insurance. The documentation provided to support this decision gave a very clear comparison between the options available. 	<ul style="list-style-type: none"> • Best practise requires that a formal review of risks faced by the council should be carried out each year.
<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"> • A draft budget for 2016/17 was discussed by the Council at its meeting in December. This was revised before further discussions in January and an increase in the precept agreed. • The level of the Council's reserves is appropriate. 	<ul style="list-style-type: none"> • Agreed that expectation met with.
<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"> • There are few sources of income to the Council and none of them are liable for VAT. 	<ul style="list-style-type: none"> • Agreed that expectation met with.

Expectation	Findings	Recommendations
F Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	<ul style="list-style-type: none"> • Minor expenses are initially met by the Clerk and claimed monthly. They were properly supported by receipts and VAT was appropriately accounted for. 	<ul style="list-style-type: none"> • Agreed that expectation met with.
G Salaries to employees and allowances to members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.	<ul style="list-style-type: none"> • The Clerk's Contract of Employment was agreed on her appointment to the Council in 1997. • Through the year there were a number of discussions around revising the Clerks' contract and a draft has been produced. Parts of this draft do not meet current legislation, especially in respect to annual leave. Also the salary is still not aligned to a scale point on the nationally agreed NALC pay scale making agreement of inflation increases more difficult. • No allowances were paid to Councillors. 	<ul style="list-style-type: none"> • The draft Contract of Employment should be revised in line with the advice on legal requirements provided to the Clerk. This might be most easily done by adopting the model provided by NALC.
H Asset and investments registers were complete and accurate and properly maintained.	<ul style="list-style-type: none"> • The register of community assets was updated in April 2016. 	<ul style="list-style-type: none"> • Agreed that expectation met with.
I Periodic and year end bank account reconciliations were properly carried out.	<ul style="list-style-type: none"> • A bank reconciliation is presented to the Council each month. • 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. 	<ul style="list-style-type: none"> • The quarterly check should be reported to the Council and this fact recorded in the Minutes.

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"> • 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. 	<ul style="list-style-type: none"> • Agreed that expectation met with.