

Internal Audit Service

Report for East Challow Parish Council

Statement and matters arising 2017/2018

The Internal Audit was carried out at all times within the guidelines of the Governance and Accountability for Local Councils – A Practitioners Guide 2017.

The following functions of the Council were examined carefully and evidence found that these functions were performed satisfactorily on behalf of East Challow Parish Council:

- proper book keeping
- budgetary controls
- payment controls
- income controls
- bank reconciliations
- year-end procedures
- payroll controls
- administration procedures

Although it was found that Standing Orders, Financial Regulations and Risk Management Report were not up to date I do believe they are referred to regularly and appropriately.

All accounts data is processed by a spreadsheet which is comprehensive, accurate and perfectly adequate for this Council. It is my opinion that this spreadsheet system being used for the accounts is fit for purpose for East Challow Parish Council.

East Challow Parish Council had a precept of £30,000 for 2017/2018 which it appears to use with a well thought out budget. The parish has the benefit of a CiLCA trained RFO although the Clerk is NOT CiLCA qualified.

Although not actually contained within my main report I am concerned at the small number of Councillors on the Parish Council and who regularly attend meetings. I see this led to aborting one meeting as the meeting was not quorate. It must also be very difficult, with so few Councillors to push forward all the actions from decisions made at Council meetings. I would strongly recommend a recruitment drive to try to rectify this as soon as possible.

Five audit trails were performed with no problems uncovered.

Any recommendations I make will be based on what I feel is practicable and is good practise to enable the Council to work more efficiently and effectively throughout all its processes and procedures.

As last year I start with recommendations I gave over the previous two years and any actions taken or still outstanding that I feel must still be commented on.

Review of Recommendations from the Internal Audit for 2015/2016 and 2016/2017 and any actions taken or outstanding

	Matters Arising	Actions taken or outstanding
1(a)	No evidence that the Internal Auditor's report was discussed by Council	Although this was rectified last year (May 2016) I can find no reference in the minutes for 2017/2018 that the Internal Auditor's report was considered. I would hope that this omission will be rectified this year.
1(b)	Review of the effectiveness of the Internal Auditor	No evidence that a review of the effectiveness of the Internal Auditor was carried out.
2 (a)	Review dates for Standing Orders, Financial Regulations and Risk Assessment were not added to documents.	Review dates still not added to the documents. The Risk Assessment must be carried out annually and I can find no reference in the minutes for this. Standing Orders will need to be reviewed in May 2018 to reflect the latest model SO's from NALC.
3	There is no evidence to show that Internal Control is being carried out by the Council.	I understand that two Councillors now fulfil this role in the form of a "Finance Working Party" and indeed are invaluable to the RFO for Internal Control. I am now satisfied that this function is being performed to a good standard.
4	<p>Minutes</p> <p>(a) Budget Monitoring not included in the minutes</p> <p>(b) Expenditure agreed in the minutes did not have the power to spend added to that minute.</p> <p>(c) AOB is included in your minutes</p>	<p>(a) Although still not discussed and presented at each meeting (or even quarterly as suggested) I see that monitoring of the budget is happening on a regular basis.</p> <p>(b) This is still not really being considered although I noticed that the RFO did inform the meeting at one stage when a church donation was requested that the Council had no powers to approve this (subsequently suggesting S137). It is really important that when the Council approves an expenditure it knows it has the "power" to do so. Getting into the habit of having the appropriate "power" recorded with each financial decision will reinforce a correct decision.</p> <p>(c) I was very pleased to observe that after the first few minutes of the meetings of the year that there is now NO AOB contained within the minutes.</p>
5	Procurement and contracts	<p>I would still like to see some regular reporting on the effectiveness of the performance of suppliers (regular and occasional) and contractors to ensure that the Parish Council are putting all steps in place to get best value.</p> <p>Use of an order book is good practise.</p> <p>I would also like to see quotes accepted and confirmation of orders all clipped to the suppliers invoice which gives a clear and concise audit trail.</p>
6	Some of the Minutes show no consistency of reporting	I made much mention last year of some inconsistency of reporting within your minutes and below (for this year 2017/2018) I will need to make mention of this once again.

Recommendations from the Internal Audit for 2017/2018

	Matters Arising	Recommended Action
1	Expenses payments	Claimed by the Clerk and RFO. Only minor amounts but where a receipt can be had these should be attached to the claim. For example all postage and stationery items will have a receipt. I found only one post office receipt going through all the invoices.
2	Minutes of meetings	
2(a)	Chairs Allowance	
2(b)	Blacked out name	
2©	Out of meeting approval for expenditure	
2(d)	Closed Session	If you really need to discuss anything in a closed session then this should be under "Confidential Items" with the appropriate wording rather than closed session.

These matters above should be reported at the next available meeting of the Parish Council and any decision taken should be minuted.

Signed.....*Pa. Ingham*.....Patricia Ingham 1st May 2018

Internal Audit Service for East Challow Parish Council

Audit Service Programme

I certify that I have carried out the tests detailed below in accordance with the suggested approach contained in the 2017 edition of "Governance and Accountability in Local Councils in England and Wales - A Practitioners Guide".

Signed.....*P. a. Ingham*.....Date *1/5/2018*

1 Internal Control	2 Tests	3 Yes No	4 Date Reference	5 Comments
Previous Internal Audit Report	Do the minutes record that Council has considered the internal Audit Report for the previous year & the matters arising addressed?	No		
Governance Arrangements	Are the Standing Orders and Financial Regulations current & approved by full Council?	Yes	SO – 01/15 FR – 03/16	Will need to review in May 2018
	Do all Cllrs have a copy?	Yes		
	When is next review?	?		
	Are there Terms of Reference for each committee?	No		Not needed Committees are now Working Groups
Council meetings	Are all minutes approved, signed & decisions recorded	Yes		
	Is there public participation?	Yes		
Anti -Fraud	Is there an anti- fraud policy?	No		
	Have all Cllrs a copy of Code of Conduct?	Yes		
	Have all Cllrs recorded their Interests for the register?	Yes		On Vale Website
	Is there a record of disclosable interest from meetings?	Yes		In minutes
	Is there a gifts & hospitality register	No		N/A
Appropriate Accounting Records and bookkeeping	What system is used? How is it kept up to date? Who has access to passwords		Spreadsheet Input monthly Computer Password protected	
	Is the cash book/ accounting system maintained and up to date?	Yes		
	Is the cashbook/accounting system regularly balanced with the bank statement?	Yes		
Financial Regulations	Has a Responsible Officer been appointed?	Yes		

	Are Financial Regulations supported by working procedures?	Yes		
	Are authorisation protocols clearly defined and adhered to?	Yes		
	Are officers & Cllrs trained? Is there a training register?	Yes No		
	Are there any loan commitments? Is the schedule up to date?	No		
	Have items or services above a de minimis amount been competitively purchased?	Yes		
	Are payments in the cashbook supported by invoices and have they been authorised and minuted?	Yes		
	Has vat on payments been identified, recorded & claimed?	Yes		
	Is section 137 expenditure separately recorded & within statutory limits?	Yes		
Risk Management Arrangements	Does a scan of the minutes identify any unusual activity?	No		Please see notes for observations
	Do the minutes record the Council carrying out the annual risk assessment?	Yes	May 2016	Will need reviewing and updating
	Is insurance cover appropriate & adequate?	Yes	238/16 June 2016	3 yearly agreement
Internal Control	Are internal financial controls documented & regularly reviewed?	Yes		Now being done formally by Finance Working Group
Budgetary Controls	Has the Council prepared an annual budget in support of its precept?	Yes		
	Is actual expenditure against the budget regularly reported to Council?	No		Budget monitoring done by RFO but not reported at meetings.
	Are there any significant unexplained variances from budget?	No		
Income Controls	Is income properly recorded & promptly banked?	Yes		
	Does the precept recorded in the cashbook agree to the District Council's notification?	Yes		
	Are security controls over cash adequate & effective?	Yes		
Petty Cash Procedures	Is all petty cash spent recorded & supported by vat invoices/receipts?	N/A		No petty cash Expenses only

	Is petty cash expenditure reported to the Council?			
	Is petty cash reimbursement carried out regularly?			
Payroll Controls	Do salaries paid agree with those approved by the Council?	Yes		
	Are other payments to the Clerk reasonable & approved by the Council?	Yes		
	Has PAYE/NIC been properly operated by the Council as an employer?	Yes		
	Are there pension records in place?	Yes		
Assets Control	Does the Council keep an assets register of all material assets owned?	Yes		Now completed
	Is the register up to date?	Yes	31/03/2018	
	Do asset valuations agree with those in the register?	Yes		
Bank Reconciliation	Is there a bank reconciliation for each bank account?	Yes		
	Is the bank reconciliation carried out regularly on receipt of the statements?	Yes		
	Are there any unexplained balancing entries in the reconciliation?	No		
Year End Procedure	Are year end accounts prepared on the correct accounting basis?	Yes		
	Do accounts agree with the cashbook?	Yes		
	Is there an audit trail; from underlying financial records to the accounts?	Yes		
	Where appropriate have debtors & creditors been properly recorded?	n/a		