

Little Ellingham Parish Council

Internal Audit Report

For Little Ellingham Parish Council

Financial Year 2016/17

Including Explanatory Notes for Annual Return
(where a 'no' has been marked)

Prepared by Catherine Moore
25th April 2017

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I have completed an internal audit of the accounts for Little Ellingham Parish Council for the year ending 2016/17. My findings are detailed below using the tests provided in the Governance and Accountability (England) 2016.

Internal Control	Test	Observations / Recommendations
Proper bookkeeping	Is the cash book maintained and up to date?	Yes
	Is the cash book arithmetically correct?	Yes
	Is the cash book regularly balanced?	Yes
Standing Orders, Financial Regulations, and Payment Controls	Has the Council formally adopted Standing Orders and Financial Regulations?	Yes
	Date Standing Orders last reviewed	September 2015 – see recommendation
	Date Financial Regulations last reviewed	September 2015 – see recommendation
	Has a Responsible Financial Officer been appointed with specific duties?	Yes – Clerk
	Have items or services above the de minimus amount been competitively purchased?	N/a
	Are payments in the cash book supported by purchase orders, invoices, authorised and minuted?	Yes
	Has VAT on payments been identified, recorded and reclaimed?	Yes
	Is S137 expenditure separately recorded and within statutory limits?	Yes
	Have S137 payments been approved and included in the minutes as such?	Yes
Risk Management Arrangements	Does a review of the minutes identify any unusual financial activity?	No
	Do minutes record the Council carrying out an annual risk assessment or review of their risk management scheme?	No – the risk assessment including financial risk assessment was last reviewed December 2015 and should be reviewed annually.
	Is insurance cover appropriate and adequate?	Yes

Internal Control	Test	Observations / Recommendations
	Are internal financial controls documented and regularly reviewed?	Financial Controls should be reviewed annually, and were not presented for audit.
Budgetary Controls	Has the Council prepared an annual budget in support its precept and has this been minuted as being approved?	Yes
	Has the precept been calculated from the budget and been approved?	Yes
	Does the budget include an actual completed year?	Yes
	Is actual expenditure against budget regularly reported to the Council?	Yes
	Are there any significant unexplained variances from budget?	No
Income Controls	Is income properly recorded and promptly banked?	Yes
	Does the precept recorded agree to the Council Tax authority's notification?	Yes
	Are security controls over cash and near-cash adequate and effective?	Yes
Petty Cash Procedures	Is all petty cash spent recorded and supported by VAT invoices / receipts?	N/a
	Is petty cash expenditure reported to each Council meeting?	N/a
	Is petty cash reimbursement carried out regularly?	N/a
Payroll Controls	Do all employees have contracts of employment with clear terms and conditions?	Yes
	Do salaries paid agree with those approved by the Council?	Yes
	Are salaries above the National Living Wage / Minimum Wage?	Yes
	Are other payments to employees reasonable and approved by the Council?	Yes

Internal Control	Test	Observations / Recommendations
	Have PAYE/NIC been properly operated by the Council as an employer?	Yes
Asset Controls	Does the Council maintain a register of all material assets owned or in its care?	Yes
	Are the assets and investments registers up to date? When were these last reviewed?	Yes
	Does the asset insurance valuations agree with those in the asset register?	Not stated on the asset register.
Bank Reconciliation	Is there a bank reconciliation for each account and is this reported to Council?	Yes
	Is a bank reconciliation carried out regularly and in a timely fashion?	Yes
	Are there any unexplained balancing entries in any reconciliation?	No
Year-End Procedures	Are year-end accounts prepared on the correct accounting basis? (Receipts and Payments or Income and Expenditure)	Yes – R&P
	Do accounts agree with the cash book?	Yes – note that I was not presented with closing statements for the three deposit accounts, councillors are asked to verify these accounts against the bank reconciliation.
	Has a year-end bank reconciliation been undertaken?	Yes
	Is there an audit trail from underlying financial records to the accounts?	Yes
	Where appropriate, have debtors and creditors been properly recorded?	N/a
Procedural	Is eligibility for the General Power of Competence properly evidenced?	N/a

Internal Control	Test	Observations / Recommendations
	Have points raised on the last Internal Audit report been considered by Council and actioned?	Consideration by Council documented, and notes supplied stating when will be actioned.
Transparency: For smaller councils with turnover under £25,000	Are minutes for the whole year on the website?	Yes
	Are agendas for the whole year on the website?	Yes
	Are payments over £100 detailed on the website?	Yes
	Have electors' rights been advertised on the website?	No – neither the Exercise of Electors Rights or the Notice of Completion of Audit have remained on the website - see recommendation.
	Are councillors' responsibilities detailed on the website?	Yes
	Is the last financial year's Annual Return on the website?	Yes
	Are the land and building asset details on the website?	N/a
Councils that are Burial Authorities	Are fees levied in accordance with the Council's approved scale of fees and charges?	N/a
	Have fees for the cemetery been reviewed and agreed by the Council?	N/a
	Were comparisons made with other cemeteries prior to setting the fees?	N/a
	Have burial books been kept up to date and are they safely stored?	N/a
Councils with Allotments	Has a list of allotment holders with amounts paid to Council been submitted?	N/a
	Have fees for the allotments been reviewed and agreed by Council?	N/a
Councils with Charities	Have Charities reported and accounted separately?	N/a
	Have Charity accounts been independently audited?	N/a

Internal Control	Test	Observations / Recommendations
	Have the Charity accounts and Annual Return been filed within the legal time limit?	N/a

Summary of Recommendations:

- The Annual Return had not been drafted prior to presentation, please could the Clerk ensure that this is done in future.
- Councillors to verify the closing balances of the deposit accounts against the bank reconciliation as these were not presented for audit.
- Standing Orders and Financial Regulations are noted to be scheduled for update in July 2017, as recommended in the last audit.
 - The Standing Orders adopted in September 2015 still state in 3(l) that photography and recording of meetings is not permitted without consent. This is now not legal and this Standing Order should be removed.
 - Standing Order 18(c) states that formal tender will be used when procuring goods and contracts over £60,000. The Public Contracts Regulations 2015 provided that parish councils must advertise all proposed contracts over £25,000 on the government’s ‘Contracts Finder’ database. I recommend that this standing order is amended to a threshold of £25,000, and that the corresponding Financial Regulation 11.1(b) is updated to reflect this requirement.
- The Financial Risk Assessment should be reviewed annually.
- Financial Internal Controls were not presented for audit, and should be adopted/reviewed as soon as possible.
- The asset register should be reviewed annually prior to insurance review, with review dates noted on the document.
- I would recommend that the Exercise of Electors Rights and Notice of Completion of Audit are retained on the website as evidence for future audits, particularly if the Council exempts itself from external audit from 2017/18.

I would like to congratulate the clerk on exceptionally well presented records, including the new Little Ellingham website which is very easy to use.

Signed:..... Date: