

INTERNAL AUDIT REPORT 2016/2017 - ODCOMBE PARISH COUNCIL

Introduction

This report contains a note of the audit recommendations made to Odcombe Parish Council following the carrying out of internal audit testing on the 29th 30th April 2017 and 5th May 2017.

The audit work has been carried out in accordance with Appendix 9 of the 'Governance and Accountability for Smaller Authorities in England' - A Practitioners' Guide'.

An internal audit covers the review of the operation of the Council's internal control environment. It is not designed to review and give full assurance over every transaction carried out by the Council. Instead it enables the auditor, following the sample testing of a number of different types of transaction, to give an opinion as to whether or not the control objectives are being achieved across a range of financial and governance systems.

Governance and Accountability for Smaller Authorities in England 2016 Section 4

4.20 The annual internal report will inform the authority's response to assertions 2 and 6 in the annual governance statement.

Audit Opinion

The internal audit for 2016/17 has now been completed in accordance with the provisions of the Practitioners' Guide of internal audit practice. Based on the sample testing carried out, it would appear that the Council's current financial controls are operating effectively.

Audit Recommendations

Recommendations made during the audit are shown within the report and are for consideration by the council.

Signed 

Date 7th May 2017

Odcombe Parish Council	102 Monks Dale, Yeovil, BA21 3JH	Clerk to the Council	Mrs E M James
No. of Councillors	9	Name of RFO (if different)	N/A
Quorum	3	Precept (for audit year)	£16980 inc. CTRSG
Electorate		Gross budgeted income	£18,225

Internal Control – 1. Previous Internal Audit Report		Yes/No	Comments and recommendations
1.a	Do the minutes record that the Council has considered the internal Audit Report for the previous year and the matter arising addressed	Yes	Minute No. 19/16 – no concerns raised to the council

Internal Control – 2. Proper Book-keeping and Payment Controls		Yes/No	Comments and recommendations
2.a	Is the cashbook maintained and up-to-date	Yes	
2.b	Is the cashbook arithmetically correct and regularly balanced?	Yes	Monthly Bank Reconciliations
2.c	Is the cashbook regularly balanced	Yes	
2.d	Evidence of internal control?	Yes	<ul style="list-style-type: none"> • Standing Orders • Financial Regulations • Internal Audit • Risk assessments • Statement of Internal Control • Budget Control and monitoring • Bank reconciliations every month
2.e	VAT evidence, recording and reclaimed	Yes	A VAT claim is made at least annually
2.f	Payments in the ledger supported by invoices, authorised and minuted	Yes	All payments supported by invoices, invoices detail cheque no and signed by councillors- minutes show approval of schedule of payments
2.g	Is S.137 expenditure separately recorded and within statutory limits?	N/A	Odcombe PC has the GPOC
2.h	Is eligibility for the GPOC properly evidenced?	Yes	Min ref 9/15 – 18 th May 15
2.i	Have goods or services above the de minimis amount been competitively purchased (procurement)	N/A	FR - less than £25,000 and above £3,000 shall obtain 3 quotes – No costs above threshold
2.j	Is S137 expenditure of direct benefit to the electorate	N/A	

Internal Control - 3. Due Process		Yes/No	Comments and recommendations
3.a	Standing Orders adopted	Yes	Adopted 17/3/14
3.b	Standing Orders reviewed annually	Yes	Reviewed and amended 16/1/16 due to be reviewed 24/4/17
3.c	Financial Regulations adopted	Yes	Adopted 20/3/17
3.d	Members interests	Yes	Available on council website and SSDC website
3.e	Agendas signed and displayed with 3 days clear notice	Yes	Agendas signed by the Clerk with at least 3 days notice given
3.f	Purchasing authority defined in Financial Regulations	Yes	Email or letter raised for expenditure
3.g	Legal powers identified in minutes	Yes	
3.h	Committee terms of reference reviewed	Yes	Staffing Committee -
3.i	Do arrangements for the public inspection of records exist	Yes	Notice of audit displayed as per external auditors instructions. Inspection period can be undertaken by prior appointment outside of this period.
3.j	Are all electronic files backed up	Yes	Back up daily on the cloud

Internal Control - 4. Risk management		Yes/No	Comments and recommendations
4.a	Does a scan of the minutes identify any unusual financial activity	No	
4.b	Do the minutes record the council carrying out an annual risk assessment	Yes	Minute No. 184/16
4.c	Has authority been given to the person(s) preparing the risk assessment been delegated and record by a council minute (clerk or sub committee)	Yes	Minute No 125/16
4.d	Who has completed the risk assessment review	N/A	Sub Committee
4.e	Is insurance cover appropriate and adequate	Yes	Insurance cover if with Aon 3 year contract taken out 1/6/15 expires 31 May 18. Prior to renewal Clerk undertakes obtaining 3 competitive quotes
4.f	Evidence of annual insurance review	No	3 year policy 2015 -2018 – Min No. 223/15 d 2017 premium noted.
4.g	Internal financial controls documented and evidenced	Yes	Review carried out 20 th Mar 17 – Min No. 211/16
4.h	Minutes initialled and signed, each page identified	Yes	Minutes numbered out of sequence – 16 th May 2016 No's 14 & 15 NB. Councillors responsibility to ensure accuracy of minutes and numbering
4.i	Minutes of the proceedings of a meeting – LGA 1972 Sch 12 para 41 (2) may be recorded on loose leaves consecutively numbered - are the loose leaves consecutively numbered.	No	RECOMMENDATION – to comply with LGA 1972 Sch 12 para 41 (2) minute loose leave pages should be consecutively numbered
4.j	Fidelity Guarantee Insurance threshold adequate	Yes	Limit of indemnity £250,000 (£39,210.89 highest amount shown on bank statement)

Internal Control – 5. Budget Controls		Yes/No	Comments and recommendations
5.a	Annual budget prepared to support precept?	Yes	Prepared annually and approved in January
5.b	Is actual expenditure against the budget regularly report to the council?	Yes	FR – To be prepared at least at the end of each financial quarter and shall show explanations of material variances (in excess of 15% of the budget) – Reviews recorded in the minutes:- <ul style="list-style-type: none"> • Aug min 76/16 b review to be brought to September meeting. • Sep min 93/16 b the expenditure was as accepted? • Nov min 128/16 c review of budget No detail of the review period recorded, ie 1 st quarter the dates the reviews have taken places only allow review of the first two quarters ie April – June, July – September RECOMMENDATION – That reviews take place as detailed in Odcombe's PC Financial Regulations which is at the end of each financial quarter. The minutes of July, October, January and April should show that a review has taken place, the period the review is for. ie 1st quarter, 2nd quarter, 3rd quarter and final budget comparison. In the interest of openness and transparency the budget along with variances are attached to the end of the July, October, January and April minutes
5.c	Any reserves earmarked?	Yes	Earmarked reserves are shown on budget working papers; they do not appear to be accessible for parishioners to view. In the working papers 2016/2017 the £1,000 earmarked for play equipment is not shown, however the list of earmarked figures for 2017/2018 does not indicate that the £1,000 for play equipment is not marked (*) as a new earmark. RECOMMENDATION – Earmarked funds for the year to be listed on budget sheet or highlighted on the budget sheet to show that the item is earmarked
5.d	Any unexplained variances from budget?	Yes	Variances against budget not shown RECOMMENDATION – variances to be shown at the end of each financial quarter and any material variance (in excess of 15% an explanation given.
5.e	Precept demand correctly minuted	Yes	

Internal Control – 6. Income Controls		Yes/No	Comments and recommendations
6.a	Is income properly recorded and promptly banked?	Yes	
6.b	Does the precept recorded agree to the Council Tax authority's notation	Yes	
6.c	Are security controls over cash and near-cash adequate and effective.	Yes	Cash banked upon receipt

Internal Control – 7. Petty Cash procedures		Yes/No	Comments and recommendations
7.a	Are there receipts for cash received?	N/A	
7.b	Is the received cash recorded?	N/A	
7.c	Is petty cash expenditure reported to Council?	N/A	

Internal Control - 8. Payroll		Yes/No	Comments and recommendations
8.a	Contract of employment	Yes	Contract issued in 2008 and revised in 2011
8.b	PAYE/NI evidence for Clerk & Councillors	Yes	The Clerk's salary is subject to PAYE, the Clerk does not pay NI due to age
8.c	Has Council approved the salary paid?	Yes	Salary approval – min 45/16 20 th June 16
8.d	Has Council approved the Members Allowance	No	
8.e	Other payments reasonable and approved by Council	Yes	The Clerk is reimbursed for business expenses incurred. The Council does not make any pension contribution – salary below threshold.
8.f	Does the Council have employers' liability cover?	Yes	The council has employer's liability cover of £5 million
8.g	Disciplinary, Grievance & Complaints procedures in place?	Yes	

Internal Control - 9. Asset Control		Yes/No	Comments and recommendations
9.a	Does the Council keep an asset register	Yes	Clerk responsible for maintaining the register
9.b	Is the asset register up to date	Yes	
9.c	Value and insurance value of individual assets held?	No	Insurance value not shown and some items listed as nil value – As per the guidance, it is not expect any asset to be included at nil value, either a £1 or proxy value should be shown - guidance appendix A RECOMMENDATION – That assets shown in the fixed asset register at a nil value should either have a proxy value entered or £1 – consideration should be given to restating the 2015/2016 fixed asset figure.
9.d	Assets inspected for risk and health and safety?	Yes	Inspections carried out annual by the Clerk or Chairman

Internal Control – 10. Bank Reconciliation		Yes/No	Comments and recommendations
10.a	Is there a bank reconciliation for each account	Yes	
10.b	Any unexplained balancing entries	No	
10.c	Is the bank mandate up to date	Yes	Last amended 2016

Internal Control . Year-End Procedures		Yes/No	Comments and recommendations
11.a	Year end accounts prepared on correct accounting basis	Yes	Receipt and Payment
11.b	Do accounts agree with the cashbook?	Yes	
11.c	Audit trail from records to presented accounts	Yes	
11.d	Where appropriate have debtors and creditors been properly recorded	N/A	No outstanding debtors or creditors

Appendix A

Governance and Accountability for smaller authorities in England 2916 Section 5

Fixed Assets

- 5.58. Most assets should be first recorded in the asset register at their actual purchase cost. In some cases the purchase cost may not be known at acquisition or first recording and so a proxy cost may be substituted. A proxy cost is a value for the asset which is an estimate of its value by the authority which is based on external professional advice. Authorities may apply the insurance value of the asset at the time of first recording as a proxy. A proxy cost may be applied at the time of acquisition or first recording of an asset in the asset register only where the cost/value is not known.
- 5.59. In the special case where an authority receives an asset as a gift at zero cost, for example by transfer from a principal authority under a community asset transfer scheme, the asset should be included in the asset register with a nominal one pound (£1) value as a proxy for the zero cost. The use of the £1 proxy is particularly important in cases where an authority operates an asset registration system that requires a positive value for every asset. Any costs of bringing gifted assets into productive use should be expensed as revenue items.