

INTERNAL AUDIT REPORT 2016-17  
LEEBOTWOOD & LONGNOR PARISH COUNCIL

## 1 INTRODUCTION

The following audit areas were examined:

Accounting Records; Bank Reconciliations; Receipts, Payments; Council Policies; Insurance; Risk Assessment; Payroll; General Administration & Council Minutes, Council's Internal Control arrangements and the Annual Return's Compilation.

These meet the internal control objectives listed on page 2 of the Parish Council's Annual Return.

## 2 OVERALL

**The standard of administration and system of internal controls relating to the audit areas examined was considered to be of a good standard given that the Council did not have a permanent Clerk for several months and has experienced a difficult year.**

**Having completed a comprehensive examination of Council records presented to me I have completed page 5 of the Annual Return positively with one exception which relates to budget setting see D below. The Council's high level of reserves will require careful explanation to both the External Auditor and parishioners.**

## 3 DETAILED FINDINGS & RECOMMENDATIONS

The following outlines the areas covered during the internal audit which support the above statement; areas of concern are highlighted for convenience.

### A Appropriate books of account have been properly kept.

The primary accounts record examined (i.e. the excel ledgers) were found to be accurate and provided an adequate audit trail to Council decisions and supporting paperwork. **The backup of Council records has not been discussed and requires the Council to confirm with the Clerk an acceptable procedure.**

### B The Council's financial regulations imbedded in their standing orders have been met, payments were supported by invoices/vouchers, and expenditure was approved.

Total payments for the year were £7,425.23. A sample of 10 payments were examined (excluding payroll) and agreed to bank statements, financial accounts, and Council minutes with the exception of cheque payment 343 made on 14/3/17; relating to the hire of Longnor Village Hall which was not minuted. All payments examined were appropriately supported by invoices and vouchers supporting reimbursement of expenditure.

Council authorisation supporting each payment was evidenced by 2 councillors initialing cheque stubs and on some occasions supporting invoices/documents. **It is recommended that the latter control is reinstated.**

### C The council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

The Council has carried out a financial, operational and management risk assessment in May 2017. During the year it has:

- Reviewed its fixed asset register.
- Examined the Internal and External Auditors' reports.

- Approved and adopted the 2015-16 year end accounts.
- Approved and adopted Standing Orders, and revised Financial Regulations.

D The annual precept requirement resulted from an adequate budgetary process; and spend against the budget was found to be adequately monitored by the council; and reserves were appropriate.

In Year Budget Monitoring – Quarterly budget monitoring reports to Council have been provided Precept & Budget 2017/18 – The Council resolved to set a precept of £6,450 and agreed the 2017/18 budget at its January 2017 meeting however there is no record of the Budget for 2017/18 on the minute file or records presented for audit.

**The Council is required to set both the precept and budget by resolution giving details of the amounts set. It is best practice to include both the budget schedule approved as a minute record to support the decision and for transparency.**

Reserves - A year end balances of £17,771 exists which when taking into account ring fenced reserves as per the 4<sup>th</sup> Quarter Budget Monitoring report account for £1,440 of the year end balance leaves a General Reserve of £16,001 which is considered high.

The annual precept receipt of £6,450 is expected in April 2017 and actual Council spend for 2016/17 and 2015/16 was approximately £7,500 p.a.; (i.e. £17,771 + £6,450- £7,500 = £16,721). Therefore reserves are expected to be high as at 31/3/2018. Should the Council have specific projects requiring funding in 17/18 then this can be explained but not at present from the records presented to me.

**This consistent high level of reserves will require careful explanation to both the External Auditor and parishioners.**

E Expected income was fully received, based on correct prices, properly recorded and banked.

Total receipts for the year were £8,537 which were satisfactorily traced to banking records and supporting documentation.

F Petty Cash Float - No petty cash float is held by the Clerk.

G Salaries to employees and allowances to members were paid in accordance with the Council's approvals and PAYE & NI requirements were properly applied

Monthly payroll reports examined (3) agreed to the clerks payments as detailed in the accounts; a total tax liability being due of £363.80 for the year; which has been paid. Payroll reports were agreed to accounting records. The current Clerk's contract/letter of engagement was unavailable however payment has been based on SCP25 2016/17 rate. No councillors' allowances were paid.

There was evidence that the Council has been registered with the Pension Regulator and that a staging date of October 2016 existed however there was no evidence of any further action having taken place. **The Clerk has agreed to follow this up with the previous Clerk.**

H Asset and investments registers were complete and accurate and properly maintained

The Council's fixed asset register/inventory as at 31/3/17 the historical costs of the street assets (where known) are used to complete the Annual Return i.e. £5,300. No in year movement arose.

The current Council's Aviva insurance cover is considered appropriate. The policy includes employer's liability, public liability insurance and fidelity insurance cover.

I Bank Reconciliations were properly carried out

A year end bank reconciliation has been carried out by the Clerk and will be presented to Council at its May meeting, together with a completed Annual Return for 2016-17. The year end bank reconciliation was independently re-performed and agreed by the Auditor.

Bank reconciliation reports are regularly provided to Council by the Clerk and are independently checked and agreed by Council

J Annual Return (AR) 2016-17, Statement of Accounts, Variance Analysis.

The draft AR, Statement of Accounts were agreed to accounting records (excel ledger) and compiled on a receipts and payments basis. Salary Costs and Other Payments requires adjustment as Clerk's mileage has been included in Other Payments.

**A Variance Analysis report has been prepared by the Clerk; however it does not in the internal auditor's opinion clearly explain the variances between years.**

K Trust Funds - The Council is not responsible for a trust fund.

L VAT Reclaims

VAT claims for 2014/15 and 2015/16 have been made, (Total £101) and received. VAT for this year totals £53.03 and has yet to be claimed. VAT was correctly accounted for in the accounts.

M Council Meetings

A review of the Council's website confirmed that the necessary number of councillors were in attendance achieving the required quorum. There was evidence of Council minutes being approved and signed.

During the audit the Council's website was used and found to be current meeting many of the Transparency Code requirements.

Should the Council have any queries with regard to the report please do not hesitate to contact me. I would like to thank Jane for delivering the files so promptly.

Regards,

SD Hackett

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