

INTERNAL AUDIT REPORT 2015-16

BADGER PARISH COUNCIL

1 INTRODUCTION

The following audit areas were examined:

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

These meet the internal control objectives as listed on page 5 of the 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 high standard.

Having completed a comprehensive examination of Council records presented to me, I have completed page 5 of the Annual Return positively and can give reasonable assurance from the audit work undertaken that the Council's financial affairs are properly conducted and free from misstatement.

3 DETAILED FINDINGS & RECOMMENDATIONS

The following outlines the areas covered during the internal audit which support the above statement. Areas of attention have been highlighted for your convenience:

A. Appropriate books of account have been properly kept.

The primary accounts record examined (i.e. the manual ledger) was found to be accurate and provided an adequate audit trail and sufficiently detailed analysis of accounting records. Receipts adequately differentiated between grants and payments separately identified s137 spending and VAT.

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 £3,775.91. All cheque payments were agreed to bank statements, the ledger, Council minutes and found to be appropriately supported by invoices etc. One cancelled cheque was appropriately accounted for, (cheque 343).

The accounting records enable VAT to be easily identified and Council authorisation supporting the payment can be easily traced in the minutes and is evidenced by councillors initialing/signing invoices; and cheque stubs. This is commended.

The Clerk has verbally confirmed that best value is actively sought by the Council.

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

The Council carried out a strategic risk management review of financial, physical and environmental risks in September 2015. In addition the Council has carried out the following during the year:

- Reviewed its insurance needs and has updated its fixed asset register.
- Considered both the internal auditor's and external auditor's reports.
- Appointed an Internal Auditor.
- Will be carrying out a year end approval of the accounts by the Chairman and has carried out on going independent checks of bank reconciliations by councilors during the year.

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.

1. In Year Budget Monitoring – The Clerk's detailed Treasurer's Report considered at the Council's November meeting provided a detailed budget monitoring report for 2015/16 which provided a forecasted year end position and explanation of variances.
2. Budget Setting 2016-17 - The Clerk's report enabled a realistic expenditure budget to be set of £4,360 which resulted in Council setting a precept of £3,000.

These decisions were confirmed at the Council's Jan 2016 meeting and SC was notified in good time of the Council's precept requirements.

3. Reserves - **The year end balance of £8,241.71, includes the Parish Plan Restricted account of £1,353.50 and will require careful explanation to the External Auditors as in the first instance it appears high.**

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

Total receipts for the year were £3,950.78, lower than last year mainly due to no VAT claim having been made in 2015/16. The Parish Plan grant of £1,500 received in 2013/14 still remains principally unspent, (Residual balance £1,353.50).

It is recommended that the Parish Plan Project Committee be contacted and the Parish Council establish what funding will be required to complete the project in 2016/17; and that should a significant balance remain it is returned to Shropshire Council.

All income receipts were satisfactorily traced to banking records and supporting documentation.

A precept receipt of £3,000.00 was agreed to last year's request and a Shropshire Council Small Highways Grant of £950.00 agreed to supporting paperwork.

F. Petty Cash has been properly accounted for. - A petty cash float is held by the Clerk who regularly claims incidental expenditure. It was found to be fully supported by receipts and vouchers. As at year end the float held was £97.75 which was confirmed by the Internal Auditor in the presence of the Clerk.

G. Payroll – Approved salaries have been paid to employees and PAYE & NI requirements properly applied.

The Clerk's remuneration has been correctly calculated based on an hourly rate of £10.527 and contract hours of 12 per month; (SCP22) in line with the NJC Pay Scales which took effect at 1/1/2015 and which had been adopted by Council.

All pay calculations have been processed via approved HMRC software and appropriate tax deducted. The Employer's P32 Schedule shows an annual sum of £303.00 due which corresponds with that paid and shown in the ledger. Tax had been appropriately deducted per the Clerk's tax coding and remitted to HMRC.

No allowances were paid to members.

H. Asset Registers are complete and accurate and appropriate insurance exists

The Council's fixed asset register/inventory as at 31/3/16 was examined and found to have been updated it itemises assets at their book value (Total £11,000); and their current value. The Council's current Aviva insurance policy expires on 25 June 2016.

I. Bank Reconciliations & Financial Administration

A year end bank reconciliation has been carried out by the Clerk and will be presented to Council at its next meeting, together with a completed Annual Return for 2015-16. The year end bank reconciliation was independently re-performed and agreed by the Auditor.

Detailed Treasurer's reports are provided by the Clerk, the appointed RFO at each council meeting. These detailed reports provide bank balances, petty cash balances; accounts payable and significant receipts.

J. Annual Return (AR) 2015/16, Variance Analysis.

The AR is correctly compiled based on accounting records (the manual ledger), on a receipts and payments basis. The Variance Analysis report prepared by the Clerk appears reasonable but requires expanding on in relation to Reserves.

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

L. Council Meetings

A review of Council meeting minutes and agendas confirmed that the necessary number of councillors were in attendance meeting the required quorum. Council minutes were appropriately signed and minutes were found to be of a good standard.

Agendas are issued to councillors giving 3 working days' notice as required by law and are supported by appropriate detailed reports as required.

M. Standing Orders and Financial Regulations

Standing Orders containing the Council's Financial Regulations were adopted by Council in May 2014. Since then they have not been reviewed or adopted. **As a matter of procedure Council should review and adopt these policies at their Annual Parish Council each year.**

N. VAT Reclaims are appropriate - All individual VAT transactions in the current year were agreed to invoices, supporting the ledger entry of £194.00. VAT remains unclaimed for 2014/15 (£307.00) and 2015/16. **It is recommended that this is claimed in 2016/17.**

O. Review of 2014-15 Internal and External Audit & Transparency Code Requirements

There was satisfactory evidence of the above reports having been presented to Council.

The Clerk confirmed that the appropriate notices had been publicly displayed together with a signed copy of the 2014-15 Annual Return and that these documents are loaded on to the Parish Council's website together with such documents required by the Transparency Code.

In conclusion I would like to thank David for presenting such well organised files which have assisted the internal audit process. Should you have any queries with this report please do not hesitate to get in touch.

Regards,

S D Hackett

SDH Accounting & Audit Services
Gonsal House
Condover
Shrewsbury SY5 7EX
Tel 01743 719012

16 April 2016