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CATSFIELD PARISH COUNCIL

Internal Audit Report 2016-2017

Introduction

In accordance with the Internal Audit Plan, Controls and Procedures have been tested, with Fraud and Risk Issues reviewed. These are managed, in line with the Governance and Accountability for Local Councils Practitioners' Guide (GALCP) and meet the needs of the Council. I confirm that I do not have any role within the Council and will carry out my duties without bias.

The audit confirmed that the financial management and internal controls are in good order. No issues were found that require attention or noting on the annual return. The report below highlights the findings of the audit with reference to the internal control objectives set out on page 5 and statements in section 1 of the of the annual return.

Internal Audit Report 2016-17

A. Appropriate Accounting Records.

A.1 The financial records are maintained in Sage. The financial ledgers are kept up to date. The data held for each transaction is correct; the cash book and ledger is arithmetically correct and regularly balanced. VAT is properly accounted for. Financial reports produced agree to the financial records.

B. Financial Regulations, documentation and approvals.

- B.1 The Financial Regulations were updated to align with the NALC std regulations and presented to Council for adoption in March 2017. This review was then deferred to the May 2017 meeting. Standing orders were last adopted in 2013 and have been updated to align with the NALC template but not yet considered for adoption by the Council.
- B.2 Bank Mandates. These were updated and noted in the minutes in December 2016.
- B.3 Quotes for Items of de minimis amount were evidenced as obtained per the financial regulations.
- B.4 Expenditure Approval. All items in the sample audit were supported by documented approval with an audit trail through the financial records. VAT was properly accounted for.
- B.5 Agendas & Minutes are sent out in time are well presented.

C. Risk Assessment

- C.1 A formal Risk Register and Risk Assessment were completed in March 2017 for review by Council in May 2017.
- C.2 Internal Audit Effectiveness. The minutes of March 2017 confirm that a review of internal audit controls was completed. The controls in place are adequate and include checks and approval of payments and bank reconciliations at Council meetings.
- C.3 Insurance – The Parish Council's Insurance in place is sufficient to cover its assets and financial risk. The cover will be renewed in June 2017

D. Budgeting & Precept

- D.1 Budgetary Control – Annual budgets are prepared in support of the precept, actual expenditure is compared with the budget and any significant variances are explained
- D.2 Monthly reports of actual vs budget spend are presented to the Council.

E. Receipts

- E.1 Income is primarily from the annual Precept. The precept recorded in the minutes agrees to the Council Tax authority's notification.
- E.2 Other income is banked as received.
- E.3 There is no VAT on income. VAT refund receipts are correctly accounted for.

F. Petty Cash – A petty cash system is maintained. All payments and VAT are processed through the ledgers and properly reported. Cash balances are checked.

G. Employee Costs

- G.1 Staff Wages – Payroll is managed by the Clerk via the HMRC systems on line and the on Line Sage accounts link. The Clerk has a contract of employment. Payroll and HMRC records agree with the financial ledgers.

H. Assets

- H.1 Assets – An Asset register is maintained using cost values that are historically estimated and from past insured values. A re-valuation exercise is planned to assess the current value of assets. Cost values are shown but there are no insured values shown. The insurance cover is sufficient to cover asset values.

I. Bank Reconciliations.

- I.1 Bank Reconciliations are completed on a monthly basis using telephone banking to obtain bank statement balances. The reconciliations are presented to the Council at the monthly meetings and minuted as reviewed. Paper statements are received from the bank on a quarterly basis. Bank reconciliations with these statements when received are presented to council as above.

J. Accounting Statements.

- J.1 The accounts are maintained on an income and expenditure basis with reconciliations to the cash book and debtor / creditor movement.
- J.2 All of the items chosen in the sample of payments from the ledger were supported by invoices and VAT was correctly processed. All items were traced to the invoices authorised for payment, approval in the minutes, cheque stubs and statements.
- J.3 Debtors and Creditors are properly reported.
- J.4 Reserves – Earmarked reserves are identified by project. The value of general reserves is around 25% of the precept. Councillors will review reserves levels in May 2017.
- J.5 The income levels in 2016-17 fall below £25K and so the Transparency Code regulations apply. The Clerk is aware of these regulations and has updated the web site and content for compliance.

It is noted that the figures have been produced by the RFO and Clerk in accordance with the requirements and all supporting documents have been produced for the Internal Auditor. The RFO & Clerk's co-operation aided considerably the work of this internal audit. Thank you.

Keith Robertson FCMA
Internal Auditor
25th April 2017