

Fransham Parish Council

Internal Audit Report

For Fransham Parish Council

Financial Year 2016/2017

Including Explanatory Notes for Annual Return
(where a 'no' has been marked on page 5)

Prepared by M Bergin, 23 November 2017

I have completed an internal audit of the accounts for xxx Council for the year ending 31 March 2017. My findings are detailed below using the tests provided in the Governance and Accountability (England) 2016.

I would like to thank the Clerk/RFO for providing me with all the information required for the Internal Audit.

Internal control	Test	Observations
Proper bookkeeping	Is the cashbook maintained and up to date?	Yes – but in pencil manuscript in a cash book.
	Is the cashbook arithmetically correct?	Yes
	Is the cashbook regularly balanced?	No evidence of regular balancing.
Standing Orders, Financial Regulations and payment controls	Has the council formally adopted Standing Orders and Financial Regulations?	Yes – May 2015
	Date Standing Orders last reviewed	Possibly 2015
	Date Financial Regulations last reviewed	May 2014.
	Has a Responsible finance officer been appointed with specific duties?	There is no record of the appointment of an RFO.
	Have items or services above the de minimus amount been competitively purchased?	Yes
	Are payments in the cashbook 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?	No – but there is no evidence of any S137 expenditure.
	Have S137 payments been approved and included in the minutes as such?	There has not been any S137 expenditure.
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 – there has been no risk assessment.
	Is insurance cover appropriate and adequate?	Yes
	Are internal financial controls documented and regularly reviewed?	Documented in standing orders but never reviewed.
Budgetary controls	Has the council prepared an annual budget in support of its precept and has this been minuted as being approved?	Yes – but not minuted as being approved by council.
	Has the precept been calculated from the budget and been approved?	Yes – minuted as approved.

Internal control	Test	Observations
	Does the budget include an actual completed year?	Yes
	Is actual expenditure against budget regularly reported to the council?	Yes but not minuted.
	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?	A petty cash system is not operated.
	Is petty cash expenditure reported to each council meeting?	A petty cash system is not operated.
	Is petty cash reimbursement carried out regularly?	A petty cash system is not operated.
Payroll controls	Do all employees have contracts of employment with clear terms and conditions?	No – but see report on pages 5 and 6
	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
	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?	No – but will be addressed by the new clerk.
	Are the assets and Investments registers up to date? When were these last reviewed?	See above
	Do asset insurance valuations agree with those in the asset register?	See above
Bank reconciliation	Is there a bank reconciliation for each account and is this reported to council?	There is a reconciliation at the end of the F/Y.
	Is a bank reconciliation carried out regularly and in a timely fashion?	End of the year only.
	Are there any unexplained balancing entries in any reconciliation?	No
	Is the value of investments held summarised on the reconciliation?	No investments held.
Year-end procedures	Are year-end accounts prepared on the correct accounting basis (Receipts and Payments or	Yes

Internal control	Test	Observations
	Income and Expenditure)?	
	Do accounts agree with the cashbook?	Yes
	Has a year-end bank reconciliation been undertaken?	Yes
	Is there an audit trail from underlying financial records to the accounts?	No
	Where appropriate, have debtors and creditors been properly recorded?	Yes
Procedural	Is eligibility for the General Power of Competence properly evidenced?	Not applicable
	Have points raised on the last Internal Audit report been considered by council and actioned?	No
Transparency: For smaller councils with turnover under £25,000	Minutes for whole year on website?	Yes
	Agendas for whole year on website?	Yes
	Payments over £100 detailed on website?	Yes – as part of the minutes.
	Electors' rights advertised on website?	No
	Councillors' responsibilities detailed on website?	No
	Last financial year's Annual Return on website?	Yes
	Land and building assets details on website? (Description, location, owner/leaseholder, date and cost of acquisition and present use)	No
Burial Authorities only	Are fees levied in accordance with the Council's approved scale of fees and charges?	Not applicable
	Have fees for the cemetery been reviewed and agreed by Council?	Not applicable
	Were comparisons made with other cemeteries prior to setting the fees?	Not applicable
	Have burial books been kept up to date and are they safely stored?	Not applicable
Allotments	Has a list of allotment holders with amounts paid to Council been submitted?	Not applicable
	Have fees for the allotments been reviewed and agreed by Council?	Not applicable

Internal control	Test	Observations
Councils with charities only	Have Charities reported and accounted separately?	Not applicable
	Have the Charity accounts been independently audited?	Not applicable
	Have the Charity accounts and Annual Return been filed within the legal time limit?	Not applicable.

Summary of my recommendations:

I was advised that the Parish Council address and Contact name has not been notified to the council's bankers following the change of Parish Clerk and accordingly, bank statements remain with the previous clerk. This matter needs to be rectified as soon as possible by letter to the bankers. I was unable to examine bank statements and carry out a comparison with the cashbook and am therefore unable to comment on the accuracy of the end of year bank reconciliation. The statements should be obtained as soon as possible, and this should not wait for the formal change of contact to be actioned by the bank. Once the statements are to hand I would be happy to carry out the necessary checks at no extra cost to the Parish Council.

The cashbook has been maintained in pencil manuscript in a lined cashbook. I recommend change to a spreadsheet and the use of appropriate headings for various types of income and expenditure - in particular VAT and S137 expenditure, subscriptions and membership costs and employment costs, also precept income, bank interest and grant income. The new clerk has the required skills and IT equipment and has already changed the format of the cashbook.

Standing Orders and Financial regulations exist - but are unsigned. There is no evidence of formal adoption or of any review. These should be formally adopted and the action minuted and thereafter should be reviewed annually and the review minuted.

An RFO should be formally appointed and specific duties for the RFO included in financial regulations.

A parish Councilor should be appointed to monitor financial activities.

There is no evidence of risk assessment and no written risk management scheme in place.

Insurance cover seems adequate for this size of parish.

A budget has been prepared but was not specifically approved by council (only the precept was approved). The budget should be approved and any variations in expenditure reported to council throughout the year.

The clerk has no contract of employment - this should be rectified as soon as possible.

No asset register could be found on this visit. If no register can be traced all fixed assets should be listed and valued - I recommend in the first instance, contacting the previous parish clerk. In the absence of a register I consider it unlikely that the fixed asset error referred to by Mazars LLP has been actioned.

In General.

The record keeping for this parish during the FY 2016/17 was very poor and the failure to make use of spreadsheets can easily lead to errors. Although standing orders and regulations exist - with no dates, unsigned and no evidence of ever being reviewed they are of little use. A record of Parish Council Assets must be found or reconstructed as soon as possible.

It is essential that the name of the new Parish Clerk and her address (the address of the Parish Council) is notified to Bankers on the appropriate forms as soon as possible.

There is no evidence of any deliberate wrongdoing in the documents I have examined. However, I understand the previous clerk was clerk to a large number of Parish Councils. This situation may have resulted in far too little time spent on attention to detail for each council, it is possible for one clerk to be clerking for too many councils and reducing the number of councils may help to resolve the problem.

It is concerning that bank statements were not available to check against the cash book.

The new clerk is aware of the shortcomings in the accounts and has already put in place a number of changes. These should result in a far better result at the next audit. There is no reason why, with a little work on sorting the various problems, all the outstanding problems should be resolved.

If I were completing page 5 of the annual return I would mark 'No' against objectives C and H.

M Bergin

23 November 2017

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Signed

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Date

