

Littlemore Parish Council Internal Audit Report, Year ended 31 March 2017. Clerk/RFO Paul Isaacs/Richard Wilkins, Internal Auditor: Brian Coombs, Report dated 7th June 2017

Introduction

At the 31st March 2016, Anne Mogridge, Fred Mogridge and Pauline Jones retired after many years of service to the Littlemore Parish Council.

Anne Mogridge had served as Chair and Fred Mogridge had been Financial Officer for many years. Pauline Jones had served as Clerk to the council for some twenty seven years.

A new Clerk, Paul Isaacs was appointed from the 1st April. The appointment however was not a success and by the end of 2016, the council was effectively operating without a Clerk. This situation was not rectified until the appointment of Richard Wilkins as Clerk and Responsible Finance Officer on the 14th February 2017.

Due to this situation, it has proved difficult to obtain certain financial information for the 2016-17 year, in particular payroll data and information regarding certain receipts. Whilst there appears to be no mis-allocation of resources or cause for concern, the accounts have been pulled together from information not as complete as in previous years.

The report below should be considered with the above information in mind.

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1. Findings from internal audit tests

I received the Council's financial documents, including bank statements, fixed asset register and invoices, together with minutes on the 23rd May 2017. I carried out tests as listed below. These are the ten key control tests identified in Section 4 of the Council's annual return, augmented where shown. In carrying out this internal audit for Littlemore Parish Council, I planned my work to ensure that the level of testing was in proportion to the likelihood of fraud, error or misstatement that could occur, and was related to the size and level of business activity of the Council.

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Internal Control	Detailed tests	Findings
Proper bookkeeping	<p>Is the cashbook maintained and up to date?</p> <p>Is the cashbook arithmetic correct?</p> <p>Is the cashbook regularly balanced?</p>	<p>No cashbook was maintained for the year</p> <p>See above</p> <p>See above</p>
<p>a) Standing Orders and Financial Regulations adopted and applied</p> <p>b) Payment controls</p>	<p>Has the Council formally adopted Standing Orders and Financial Regulations?</p> <p>Has a Responsible Financial Officer been appointed with specified duties?</p> <p>Have items or services above a <i>de minimis</i> amount been competitively purchased?</p> <p>Are payments in the cashbook supported by invoices, authorised and minuted?</p> <p>Has VAT on payments been identified, recorded and reclaimed?</p>	<p>Yes, Standing Orders and Financial Regulations were adopted in principle on the 13th September 2016 and will be formally adopted at the next AGM in May 2017.</p> <p>Yes. The Clerk is also the RFO as specified in the contract of employment.</p> <p>The level of outside purchases are relatively low and are generally limited to suppliers with local knowledge and availability.</p> <p>Yes, payments are supported by invoices. The cheque stubs were initialled by a member of the council. However, in previous years, all payments and receipts were listed in the minutes of council meetings – this did not happen in 2016-17 although the practice is to be resurrected in 2017-18.</p> <p>Yes, VAT totalling £15516.88 in respect of 2015-16 purchases was received on the on 27th May 2016. A further £1717.65 in respect of the first six months of 2016-17 was received on the 8th November 2016.</p>

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<p>b) Payment controls (cont.)</p> <p>Risk management arrangements</p>	<p>Is S137 expenditure separately recorded and within statutory limits?</p> <p>Does a scan of the minutes identify any unusual financial activity?</p> <p>Do the minutes record the Council carrying out an annual risk assessment?</p> <p>Is insurance cover appropriate and adequate?</p> <p>Are internal financial controls documented and regularly reviewed?</p>	<p>There was no S137 expenditure identified in 2016-17</p> <p>No.</p> <p>At a council meeting held on the 14th March 2017, the council agreed certain initiatives in respect of risk assessments.</p> <p>Evidence was found of the council purchasing insurance cover in the year. The fixed asset register now contains a column where the level of insurance cover is highlighted.</p> <p>The absence of a Clerk for much of the year meant that evidence of internal financial controls was not apparent.</p>
<p>Budgetary controls</p>	<p>Has the Council prepared an annual budget in support of its precept?</p> <p>Is actual expenditure against the budget regularly reported to the Council?</p> <p>Are there any significant unexplained variances from budget?</p>	<p>Yes. The minutes described the process of agreeing the annual budget.</p> <p>No evidence was found of reporting actual expenditure against budget in the year.</p> <p>See above.</p>
<p>Income controls</p>	<p>Is income properly recorded and promptly banked?</p> <p>Does the precept recorded in the cashbook agree to the District Council's notification?</p> <p>Are security controls over cash adequate and effective?</p>	<p>Income is promptly banked although it was not possible to ascertain where some of the smaller amounts came from.</p> <p>Yes. The precept, £77,000 was received in two instalments, the first on the 5th April and the second on the 4th October 2016.</p> <p>The Council does not handle any cash. Any cash receipts are immediately paid in and a remittance slip submitted.</p>
<p>Petty cash procedures</p>	<p>Is all petty cash spent recorded and supported by VAT invoices/receipts?</p> <p>Is petty cash expenditure reported to each Council meeting?</p> <p>Is petty cash reimbursement carried out regularly?</p>	<p>The Council does not operate a petty cash system.</p> <p>Reimbursement of small claims for expenses are often made via the payroll system or via cheque payments.</p> <p>Expenses are reimbursed regularly against evidenced claims.</p>

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<p>Payroll controls</p>	<p>Do salaries paid, agree with those approved by the Council?</p> <p>Are other Payments to the Clerk reasonable and approved by the Council?</p> <p>Has PAYE/NIC been properly operated by the Council as an employer?</p>	<p>Yes. three employees, the Clerk and two Groundsmen, are currently on the payroll. It was noted that the editor of the Littlemore Local was on the payroll in 2015-16 but was taken off and paid by the purchase payments system in 2016-17. It is recommended that this is reversed and that she is put back onto the payroll in 2017-18.</p> <p>Yes.</p> <p>No payroll sheets were available for my inspection. However, payments were made over to HMRC on a regular basis.</p>
<p>Assets controls</p>	<p>Does the Council keep an asset register of all material assets owned?</p> <p>Are the Asset/Investments registers up to date?</p> <p>Do asset insurance valuations agree with those in the asset register?</p>	<p>There is a list of assets which quotes description, age and value which reconciles to the value stated on Section 1 of the Accounting statement.</p> <p>The asset register has been updated for recent additions. There are no Investment assets.</p> <p>Yes</p>
<p>Bank Reconciliation</p>	<p>Is there bank reconciliation for each account?</p> <p>Is bank reconciliation carried out regularly on the receipt of statements?</p> <p>Are there any unexplained balancing entries in any reconciliation?</p>	<p>The bank statements were reconciled as part of the year end procedures</p> <p>See above</p> <p>No unexplained entries were found.</p>
<p>Year-end procedures</p>	<p>Are year-end accounts prepared on the correct accounting basis (Receipts & Payments/Income & Expenditure)?</p> <p>Do accounts agree with the cashbook?</p> <p>Is there an audit trail from underlying financial records to the accounts?</p> <p>Have debtors and creditors been properly recorded?</p>	<p>Yes. The Council prepares the accounts on a Receipts and Payments basis.</p> <p>No cashbook was maintained in 2016-17</p> <p>Yes, all payments have been recorded and the original documentation filed.</p> <p>There were no long-term debtors or creditors.</p>

2. Recommendations

The following recommendations arise from this year's internal audit.

1. The council should revert to keeping a cashbook, either manually or via a software package. This should be reconciled to bank statements on a monthly basis.
2. All payments and receipts should be tabled at council meetings and listed on minutes of meetings.
3. The editor of the Littlemore Local should revert to becoming a salaried employee or, failing that, invoices from the editor should be received prior to any payments being made.
4. The process of Risk Assessment should be reviewed and the recommendations implemented.
5. For future audits, enhanced information on payroll should be made available.