

INTERNAL AUDIT REPORT 2015-16

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 as listed on page 5 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.

Having completed a comprehensive examination of Council records presented to me I have completed page 5 of the Annual Return (AR) positively.

The audit work undertaken supports 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 concern are highlighted. I have cross referenced the report to the AR Internal Audit report where possible:

A Appropriate books of account have been properly kept throughout the year.

The primary accounts record examined (i.e. the excel ledger) was found to be overall accurate and provided an adequate audit trail.

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 £9,085.

All payments (36) for the year were examined and agreed to the bank statements, financial accounts, and Council minutes with the exception of a cheque payment 291 which differed by 25p.

Also overpayments totaling £10.00 were noted as having arisen in payments in respect of the Clerk's salary (full details below). These note were transposition errors. (Please note March minutes were not available at the time of the audit.)

Council authorisation supporting each payment was easily traced in the minutes and is evidenced usually by two councillors initialing/signing the supporting invoices/documents which is commended.

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

The Clerk has carried out a financial, operational and management risk assessment in May 2015 which was minuted and is expecting to review it in May 2016. During the year the Council has:

- Reviewed its insurance needs;
- Adopted its fixed asset register;
- Examined the Internal and External Auditors' reports and acted on recommendations made;
- Approved and adopted the 2014-15 yearend accounts and in year bank reconciliations;
- Appointed an Internal Auditor, (having obtained quotes);
- Closely monitored it's spend.

It is recommended that the Council carries out a review of its financial, operational and management risks in May 2016 and minutes this review.

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 – The Clerk has provided budget monitoring reports to Council who have closely monitored spend.

Precept/Budget 2016-17 – The Council set a precept of £6,380 at its December 2015 meeting which could not be supported by the Clerk's Financial Forecast/Budget report. There is no record of the Council's adoption of the 2016/17 Budget within the minutes. The Council needs to ensure decisions it has made are fully documented within its minutes; for them to be lawful. **It is therefore advisable to document the adoption of the 2016/17 Budget, and at the minimum include its total value.**

Reserves - A year end balances of £16,599 exists; which is significantly higher than the "usual" annual spend of the Council.

Details of ring fenced reserves per the draft Receipts & Payments account statement identified the following movements:

Fixed Asset Replacement	£1,200
Leebotwood Village hall	£1,500
Longnor Village Hall	<u>£1,177</u>
Total Movement	<u>£3,877</u>

Therefore Total Restricted Funds as at 31/3/2016 = £6,213 (i.e. £10,090 - £3,877)

I would respectfully suggest that Restricted Funds and the General Reserve are explained carefully to Mazars and parishioners given the Council's precept has increased significantly from £4,830 to £6,380 a 32% increase.

The Clerk needs to explain the Reserves held carefully within the Variance Report which is to be submitted to Mazars.

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

Total receipts for the year were £6,867 which were satisfactorily traced to banking records and supporting documentation which comprised principally of a precept receipt of £4,830 and Transparency grant of £1,370 and SC Small Highways Maintenance grant of £500.

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

All monthly RTI payroll reports examined did not agree to the Clerk's payments as detailed in the accounts; the following transposition errors in the accounts:

RTI £400.50 Cheque Payment 285 £401.50

RTI £ 90.10 Cheque Payment 290 £ 99.10

An overpayment of £10.00; this appears to have been a genuine error. **It is recommended that the overpayment is processed in 2016/17 as the RTI payroll has successfully being closed for 2015/16 and migrated to 2016/17.**

Tax and national insurance liability was correctly processed and paid, based on RTI records. The Clerk's contract was unavailable for inspection.

No councillors' allowances have been paid during the year.

The Clerk has successfully auto enrolled with The Pension Regulator, the Council's staging date is 1/10/2016.

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

The Council's fixed asset register/inventory as at 31/3/16 was unavailable for inspection at the time of the audit. The Council has an appropriate Aviva insurance policy which expires on 31 May 2016; asset sums insured amount to £15,375 and are described as Street Furniture . There are no investments.

I Periodic and Year-End 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 2015-16. The year end bank reconciliation was independently re-performed and several errors were found by the Auditor which are to be rectified by the Clerk.

Detailed Treasurer's reports are regularly provided to Council by the Clerk. These detailed reports provide bank balances, bank account reconciliations; accounts payable and receipts. Bank statements are periodically evidenced as checked by a member of the council; this is commended and a good independent internal control.

J Annual Return (AR) 2015/16, Statement of Accounts and Variance Analysis.

The draft AR, Statement of Accounts and Variance Analysis requires adjustments due to errors in Boxes 1, 4, and 6. The Clerk has agreed to revise the above draft reports accordingly. The accounts have been prepared on a receipts and payments basis.

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

L Council Meetings

A review of Council meeting minutes confirmed that the necessary number of councillors were in attendance achieving the required quorum. Council minutes were appropriately signed and in the main found to be of a good standard and informative. Agendas were not examined.

The Council's Standing Orders, Financial Regulations and important policies were adopted in year by the Council 2015. This demonstrates good corporate governance and the Council's desire to comply with accepted good practice recognizing its duties as a Council and Employer.

M VAT Reclaims VAT relating to 2014/15 was successfully claimed in 2015/16, this amounted to £161.68. The current year's VAT refund of £569.55 was agreed to supporting invoices and is due to be received in 2016/17.

Should the Council have any queries with this report please do not hesitate to contact me. I would like to thank Anne for her assistance during the audit and are pleased to report that the new website is excellent and well on the way to meeting the Transparency Code requirements faced by the Parish Council – Well done!

Best Regards,

SD Hackett

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