

Internal Audit East Farndon Parish Council Year Ending 31 March 2018

Internal Auditor: Caroline Burton F.C.C.A.

Summary Checklist Report

This internal audit report is based upon the Association of Local Councils recommended checklist, introduced in 2016, in conjunction with the Practitioners' Guide to Governance and Accountability in Local Authorities.

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Internal Audit Summary Checklist Report for East Farndon Parish Council Year Ending: 31 March 2018

Name of Council	East Farndon	Name of Clerk to Council	Rosie Warne
Number of Councillors	7	Name of RFO (if different)	
Quorum	3	Precept for audit year	8,500
Electorate	300 approx.	Gross budgeted income	

1. Book-Keeping			Comments & Recommendations
1.1	Ledger maintained & up to date?	Yes	The accounts are balanced and are up to date to the financial year-end.
1.2	Arithmetic correct?	Yes	Checks of the print outs of the cashbook and other accounts confirm arithmetically correct.
1.3	Evidence of internal control?	Yes	Risk assessment policy; regular bank reconciliation; regular reporting at council meetings
1.4	VAT evidence, recording and reclaimed?	Yes	The Council is able to recover VAT through the Local Authorities and Similar Bodies Scheme. VAT charged is separately recorded in the cashbook. A claim for repayment of VAT is made annually. Claims for 2015/6 and 2016/7 fell into this financial year.
1.5	Payments in the ledger supported by invoices, authorised & minuted?	Yes	All payments are supported by appropriate invoices, correctly authorised and minuted, apart from the insurance premium (see 3.3 below).
1.6	s S137 expenditure separately recorded and within statutory limits?	Yes	The appropriate sum for parish councils for the purposes of section 137(4)(a) of the Local Government Act 1972 for 2017-2018 was £7.57 per elector. S137 expenditure within statutory limits, comprising £16.00 for a remembrance wreath.
1.7	Is S137 expenditure of direct benefit to the electorate?	Yes	All S137 expenditure incurred in current financial year was in respect of activities relevant to the parish.

2. Due Process			Comments & Recommendations
2.1	Standing Orders adopted since 2010?	No	There is no evidence that Standing Orders have been adopted since 2010. RECOMMENDATION: THE COUNCIL ADOPTS STANDING ORDERS (BASED ON NALC'S MODEL, AMENDED AS APPROPRIATE)
2.2	Standing Orders reviewed at Annual Meeting?	No	There is no evidence in the minutes that Standing Orders have been reviewed. This matter has been raised in the internal audit for the last 3 years and does not appear to have been addressed. RECOMMENDATION: THE COUNCIL REVIEWS STANDING ORDERS AT ITS ANNUAL MEETING
2.3	Financial Regulations adopted?	No	There is no evidence that Financial Regulations have been adopted. RECOMMENDATION: THE COUNCIL ADOPTS FINANCIAL REGULATIONS (BASED ON NALC'S MODEL, AMENDED AS APPROPRIATE)
2.4	Financial Regulations properly tailored to Council?	No	There is no evidence in the minutes that the Financial Regulations have been reviewed. This matter has been raised in the internal audit for the last 3 years and does not appear to have been addressed. RECOMMENDATION: THE COUNCIL REVIEWS FINANCIAL REGULATIONS AT ITS ANNUAL MEETING
2.5	Equal Opportunities policy adopted?	No	The Council does not have an Equal Opportunities policy, but adheres to all NALC rules and regulations RECOMMENDATION: THE COUNCIL CONSIDERS ADOPTING AN EQUAL OPPORTUNITIES POLICY
2.6	RFO appointed?	Yes	The Clerk is also the RFO.
2.7	List of member's interests held?	Yes	Daventry District Council maintains the list of member's interests.
2.8	Agendas signed, informative and displayed with 3 clear days' notice?	Yes	Agendas are signed, displayed with a minimum of 3 working days on the village hall notice board.
2.9	Purchase orders raised for all expenditure?	No	Financial Regulations determine how commitment to purchase is made (see 2.3). Most orders for goods and services are made by or confirmed by email.
2.10	Purchasing authority defined in Financial Regulations?	No	As detailed above in 2.3/2.4, it is unclear whether the Council has adopted any Financial Regulations and thus purchasing authority has not been stipulated.

2. Due Process			Comments & Recommendations
2.11	Legal powers identified in minutes and/or ledger?	No	Whilst the applicable legal power is not specifically noted in the minutes or the accounts, it is the responsibility of the Clerk to ensure that the Council applies the correct legal power.
2.12	Committee terms of reference exist and have been reviewed?	N/A	No committees of the council.

3. Risk Management			Comments & Recommendations
3.1	Does a scan of the minutes identify any unusual financial activity?	No	Minutes are prepared for all meetings of the Council and no unusual financial activity was found in the minute review. Council minutes are available to view on the village website.
3.2	Is an annual risk assessment carried out?	No	The Council has a formal risk assessment policy in place and it was last reviewed by the Council on 25 May 2016. RECOMMENDATION: THE COUNCIL REVIEWS ITS RISK ASSESSMENT POLICY EACH YEAR
3.3	Is Insurance cover appropriate and adequate?	N/K	The insurance renewal papers are not available. This matter has been raised with the Clerk and it would appear they have been mislaid. However, it is standard insurance for a Parish Council and in previous years, the insurance cover has been found appropriate.
3.4	Evidence of annual insurance review?	No	There is no evidence of the insurance being reviewed. RECOMMENDATION: THE COUNCIL REVIEWS ITS INSURANCE POLICY EACH YEAR
3.5	Internal financial controls documented and evidenced?	No	Financial control procedures are operated, but should be stipulated in the Financial Regulations.
3.6	Minutes initialled, each page identified and overall signed?	Yes	Minutes of all Council meetings are initialled by the chair of the meeting. Each page of the minutes is identified by a unique page number reference and all minutes are signed by the meeting chair and dated.
3.7	Regular reporting and minuting of bank balances?	Yes	Bank balances are presented to Council at each meeting as part of the financial reporting and are minuted.

3. Risk Management			Comments & Recommendations
3.8	S137 expenditure minuted?	Yes	All expenditure is minuted.

4. Budget			Comments & Recommendations
4.1	Annual budget prepared to support precept?	Yes	A detailed budget is prepared annually by the Clerk.
4.2	Has budget been discussed and adopted by Council?	No	There is no evidence in the minutes that the budget has been reviewed or approved. RECOMMENDATION: THE COUNCIL MINUTES BUDGET DISCUSSIONS AND ADOPTION
4.3	Any reserves earmarked?	Yes	The Council has reserves of £2,500 for proposed work in village, e.g. renovation of the village spring.
4.4	Any unexplained variances from budget?	No	All explained as per the Annual Return and year-end financial reports.
4.5	Precept demand correctly minuted?	No	RECOMMENDATION: THE COUNCIL MINUTES PRECEPT DEMAND

5. Payroll - Clerk			Comments & Recommendations
5.1	Contract of employment?	Yes	This is due to be reviewed at the next Council meeting.
5.2	Tax code issued/contracted out?	N/A	The Clerk is contracted to the Council on a self-employed basis (currently 12.5 hours/week), the conditions of which satisfy the requirements for self-employment status as outlined in the NALC Employment Briefing of December 2012. The Clerk declares the gross payments received for services as Clerk, on a personal self- assessment return.
5.3	PAYE/NI evidence?	N/A	The Clerk is responsible for her own tax affairs.
5.4	Has Council approved the salary paid?	Yes	The Clerk is paid gross, monthly in arrears, on submission of an expense claim form. Any changes to the clerk's remuneration and contract are approved by the Council. The Clerk's salary is approved within the setting of the annual budget.

5. Payroll - Clerk		Comments & Recommendations	
5.5	Other payments reasonable and approved by Council?	Yes	Other specific business and out of pocket expenses incurred by the Clerk are claimed at the same time as the claim for remuneration by the Clerk.

6. Payroll - Other		Comments & Recommendations	
6.1	Contracts of employment?	N/A	N/A as the Clerk is responsible for all the financial and administrative affairs of the Council.
6.2	Does the Council have employers' liability cover?	N/K	See 3.3, although previous year's internal audit showed it was in place and therefore, it is assumed that insurance has continued on the same terms.
6.3	Tax code(s) issued?	N/A	
6.4	Minimum Wage paid?	Yes	The Clerk's salary exceeds the minimum wage.
6.5	Disciplinary, Grievance & Complaints procedures in place?	No	These procedures have not been adopted by the Council. RECOMMENDATION: THE COUNCIL CONSIDERS ADOPTING THESE PROCEDURES

7. Asset Control		Comments & Recommendations	
7.1	Does the Council keep a register of all material assets owned?	Yes	The Clerk is responsible for maintaining the asset register.
7.2	Is the asset register up to date?	Yes	The asset register was up-to-date as at the end of the financial year.
7.3	Value of individual assets included?	Yes	
7.4	Inspected for risk and health and safety?	Yes	Councillors inspect the village assets and report back to the Council as necessary.

8. Bank Reconciliation			Comments & Recommendations
8.1	Is there a bank reconciliation for each account?	Yes	The Council holds following bank accounts, all of which were operating at the start of the financial year: Lloyds Treasurers Account - main account used for cheque payments, bank statements received monthly Lloyds Business Bank Instant Account - interest bearing savings account, bank statements received monthly The Clerk is responsible for preparing regular bank reconciliations and reports the balance on each account to each meeting of Council.
8.2	Reconciliation carried out on receipt of statement?	No	The reconciliation is carried out every few months, as there are so few transactions (a total of 22 cheque transactions in the financial year).
8.3	Any unexplained balancing entries in any reconciliation?	No	
8.4	Is the bank mandate up to date?	Yes	

9. Year-End Procedures			Comments & Recommendations
9.1	Year-end accounts prepared on correct accounting basis?	Yes	Day to day and year-end accounts are prepared on a Receipts and Payments basis.
9.2	Bank statements and ledger reconcile?	Yes	A full reconciliation of bank statements to the cashbook as at 31st March 2018 has been prepared.
9.3	Underlying financial trail from records to presented accounts?	Yes	The accounting system provides a satisfactory audit trail to the underlying financial records.
9.4	Where applicable, debtors and creditors properly recorded?	N/A	
9.5	Has Council agreed, signed and minuted sections 1 & 2 of the Annual Return?		Due to be signed on 30 May 2018.

10. Miscellaneous			Comments & Recommendations
10.1	Have points raised at the last internal audit been addressed?	No	See 2.2 and 2.4 above.
10.2	Has the Council adopted a Code of Conduct since July 2012?	Yes	This was done when councillors were appointed.
10.3	Is eligibility for the General Power of Competence properly evidenced?	Yes	This was checked when councillors were appointed.
10.4	Are all electronic files backed up?	Yes	The Clerk backs up files on a memory stick each week.
10.5	Do arrangements for the public inspection of records exist?	Yes	A notice is placed on the village board.

11. Charities			Comments & Recommendations
11.1	Charities reported and accounted separately?	N/A	The Council is not a trustee, nor involved in the administration of any charity.
11.2	Have the Charity accounts been separately audited?	N/A	
11.3	Have the Charity accounts and Annual Return been filed within the legal time limits?	N/A	

12. Burial Authorities			Comments & Recommendations
12.1	All money received corresponds with the number of burials/cremations recorded and memorial permits issued?	N/A	The Council is not a burial authority.
12.2	Are fees levied in accordance with the Council's approved scale of fees and charges?	N/A	

12. Burial Authorities			Comments & Recommendations
12.3	Have all statutory books been kept safe and up to date? If electronic copies are held, are these backed up regularly?	N/A	
12.4	Do all internment of ashes have a certificate of cremation?	N/A	
12.5	Have the necessary permits, permissions, and transfer of Exclusive Burial Right (EBR) been completed correctly, documented and approved?	N/A	

13. Income Controls			Comments & Recommendations
13.1	Is income properly recorded and promptly banked?	Yes	Apart from the precept, bank interest and VAT refund, other income comprises a donation and contribution to grass cutting. All income is properly recorded and promptly banked.
13.2	Does the precept recorded agree to the Council Tax authority's notification?	Yes	The precept was received electronically from Daventry District council in 2 instalments of £4,250 on 27 April 2017 and 28 September 2017.
13.3	Are security controls over cash adequate and effective?	Yes	The Clerk is responsible for receiving, balancing, authorising and banking any cash and cheques received. Security controls for cash appeared to be adequate and effective.

14. Petty Cash			Comments & Recommendations
14.1	Is all petty cash spent recorded and supported by VAT receipts where applicable?	Yes	The council does not operate any petty cash floats. Any small expenditure items incurred will normally be paid personally by the Clerk, which is then reimbursed through the Clerk's expense claim.
14.2	Is petty cash expenditure reported to Council?	Yes	The expenditure claim from the Clerk will be presented to Council for approval as part of the normal expenditure approval process.

14. Petty Cash		Comments & Recommendations	
14.3	Is petty cash reimbursement carried out regularly?	Yes	The expense claim from the Clerk for reimbursement of out of pocket expenses is submitted together with the Clerk's claim for contractual services provided i.e. as Clerk/RFO.

Any Further Comments

Following a change to the recommended internal audit process by NALC, a number of new audit questions have been introduced, primarily affecting Council governance and procedure, rather than of a financial nature. As a consequence, a number of recommendations have been made.

Internal Audit Carried Out By:	
Signature	<i>Caroline Burton</i>
Name	Caroline Burton FCCA
Date	22 May 2018