

*"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."*

April 13, 2016

## **Ilminster Parish Council Internal Audit Report 2015-16**

Testing was carried out using sampling and covering a range of financial, risk and governance assessed as appropriate for a council of this size and complexity.

The findings are reported below:

### ✓ **Governance and Control**

All councils of whatever size are required to annually prepare and consider:

- a general and financial risk assessment covering the council's activities
- a statement of internal control
- annually review any charges for services whether or not they are increased and record this in minutes.

Councils should have in place and periodically review:

- standing orders for the conduct of council meetings are required by law and should be periodically review and changed to reflect current legislation
- financial regulations for the control of its financial administration are required by law and should be periodically reviewed for either changes in legislation or internal control procedure changes.
- Any Council moving away from 2 cheque signatories by Councillors must have addressed the expectations in Appendix 10 of Governance and Accountability and have put in place arrangements for the annual review of wider definition "money" covered in Appendix 10

### • **Precept, Budgets and Reserves**

The precept was agreed to the minute setting the precept, the principal authority tax collecting authority records. The receipt was traced and agreed to bank and cash book records. The precept was set after consideration of a budget and consideration of an appropriate level of free reserves (the General Fund) which is generally accepted should lie between 3 and 12 months' expenditure.

**Satisfactory. No issues.**

### ✓ **Other Receipt or Income**

A sample of other receipts was tested to ensure that, as appropriate:

- That grants and interest were correctly recorded in the cash book and agreed to bank statement
- Chargeable services were correctly and promptly charged to the beneficiaries of those services and that arrangements were in place to pursue late payment

**Satisfactory. No issues**

✓ **Staff Cost and Members Allowances**

Testing was carried out as appropriate to ensure that:

Staff

- Rates of pay were as approved by Council
- Additional hours worked were approved and supported by time records
- Employees are paid in accordance with contractual obligations and on the correct pay date
- Employees have a written statement of principal terms and conditions
- That PAYE and NI are operated and paid promptly
- That pension contributions are correctly recorded and passed to the pension fund in a timely manner

**Satisfactory. No issues.**

✓ **Payments including Bank and Petty Cash**

A sample of payments was tested as appropriate to confirm:

- Payments are made in accordance with financial regulations
- Payments are supported by invoice, receipt, expense claim, petty cash voucher or other appropriate documentation
- Grant payments are subject to a proof of need assessment and are required to be evidenced as spent for the approved purpose and unless having the general power of competence are made within permitted powers.
- Cheque payments are promptly cleared

**Satisfactory. No issues.**

✓ **Insurance**

Insurance cover was reviewed as appropriate to confirm

- Adequate Fidelity Guarantee cover in place
- Range of cover in place has been reviewed at renewal and this has been recorded in the council minutes
- By sample test that assets other than land that appear on the Fixed Asset Register are insured or if not that there has been a decision not to cover them (for example because the excess is greater than the asset value insured).

**Satisfactory. No issues.**

✓ **Fixed Assets**

Tests were carried to confirm as appropriate

- fixed asset register is up to date
- additions have been correctly identified and a system exists for the identification of fixed assets
- that the disposal by scrapping, selling or part exchange of assets has been approved by council
- that where an insurance value has been used as the cost of an asset was unknown that the value is not increased as the insured value increases

**Satisfactory. No issues.**

➤ **Bank Reconciliation**

- The bank accounts should be reconciled and reported to each meeting.
- The reconciliation should be reviewed independently of the clerk.
- The bank accounts should be reconciled monthly or as often as the Council meets.

**Findings:**

***The bank has not properly reconciled since August 2015 as in testing there were items not entered in that month. A system of monitoring would have identified this. All accounts were reconciled during the visit.***

➤ **Unauthorised overdraft**

- Parish Councils are not allowed to borrow for revenue at all and only for capital with loan sanction from Secretary of State for Communities and Local Government

**Findings:**

***Testing indicated overdrafts on current account on 10<sup>th</sup> August 2015 and 9<sup>th</sup> December 2015 resulting in additional cost to the Council of £48.52 these sums were not reported to Council and should be reported and recorded at next meeting. The clerk was ill around the time of the first occurrence.***

***Care should be taken to avoid overdrafts.***

