

Oulton Parish Council

Internal Audit Report for 1st April 2016 - 31 March 2017

This report provides detail of the areas examined on 2nd June 2017

Internal Audit Approach

In conducting my review I have checked key areas in order to gain sufficient assurance that the Council's financial and regulatory systems and controls are appropriate and fit for the purposes intended.

On the basis of my work during my review I have signed off the Internal Audit Certificate at Section 4 of the Annual Return assigning positive assurances in each area.

Review of Accounting Arrangements & Bank Reconciliations

The objective in this area is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. To that end:-

- The Clerk records financial transactions manually in the Council's cashbook with a single receipts and payments account effectively recording detail of all bank transactions and ensures that a cost structure is in place
- I have checked and agreed a sample of receipt and payment transactions in the active current account from the cashbook records to relevant bank statements for the financial year and to the minutes and checked detail on the final bank reconciliation as at 31st March 2017 on the accounts.

Review of Corporate Governance

The objective is to ensure that the Council has robust corporate governance documentation in place, that its meetings are conducted in accordance with the adopted Standing Orders and that no actions of a potentially unlawful nature have been or are being considered for implementation. The following work has been carried out in this area: -

- Minutes of the Council for the financial year and to date in 2016-17 have been examined to identify whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability. No such issues were identified.
- The Council's Financial Regulations (1999) have been examined. The Council's Standing Orders were not seen.

It is recommended:

- *That the Council adopts Standing Orders and updates its Financial Regulations promptly*
- *That it adopts and publishes a Complaints policy*
- *That it complies with the Transparency Code and that the information required is published on its website*
- *That it registers with the Information Commissioner and adopts a publication scheme.*

Note: all council emails may be subject to a FOI request!

Review of Expenditure

The aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets.
- Payments are supported by documentation, either in the form of an original trade invoice or other appropriate format confirming the payment as due and/or an acknowledgement of receipt
- The correct expense column have been applied to invoices when processed,
- VAT has been appropriately identified for recovery after the end of the financial year, also ensuring that Returns for the year have been submitted in a timely manner.

It is recommended:

- *That a payment voucher is attached to each invoice giving details of the payment gross, VAT and net values, the cheque number with a clear breakdown of the payment into separate expense values.*
- *Such vouchers be numbered and filed consecutively.*
- *That bank reconciliations are carried out and balances reported to Council from time to time*

Assessment and Management of Risk

The aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks identified in order to minimise the opportunity for their coming to fruition.

It is recommended

- *that a Risk Assessment and Risk Management should be established and reviewed annually*

Budgetary Control and Reserves

This area aims to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount to be precepted on the District Council, that effective arrangements are in place to monitor budgetary performance during the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans.

It is recommended:

- *That the Council approves the reserves at the beginning of the financial year.*
- *That projected expenditure against the budget is reviewed on a regular basis*
- *It should be noted that CiPFA, the local government accounting body, recommends that the General Fund balance should be retained at between three and six months' net revenue spend.*

Review of Income

The Council has limited sources of income in addition to the annual precept, glass recycling and allotment rents

Receipt of all income to be recorded in the minutes

Salaries and Wages

In examining the Council's payroll function, it is aimed to confirm that legislation is being appropriately observed as required by HM Revenue and Customs (HMRC) with regard to the deduction and payment of income tax and NI contributions and as required by the Pensions Regulator

It is recommended:

- *that the appointment of the Clerk is noted in the minutes and that pay and expenses are reviewed annually*
- *that the Clerk is supplied with a contract of employment and that Council adopts a Grievance and Disciplinary Policy.*
- *that pay is supported with a payslip giving full details of pay, deductions etc and all staff are issued with P60 or P45 as appropriate*
- *that Council is registered with the Pensions Regulator*

Asset Registers

The Accounts and Audit Regulations require all councils maintain a register of all assets it owns. The assets register has been maintained was updated in 2015.

It is recommended:

- *A physical examination and verification of Council's assets should be undertaken and the register updated in the current year*
- *The asset register be approved by Council.*

Statement of Accounts and Annual Return

The Annual Return forms the Council's statutory Statement of Accounts subject to external audit examination and certification. The objective here is to ensure the accuracy of disclosure of information in the Annual Return at Sections 1 & 2 and that it is consistent with the detail contained within the Council's financial and other supporting records.

It is recommended:

- *That the internal auditor's report is circulated to all members, considered and that both receipt of the report and actions agreed are noted in the minutes*
- *That receipt of the external auditor's certificate is noted and report recorded in the minutes*

Trust Funds

The Annual Governance Statement confirms that Council has met its responsibility as a trustee that :

- its accounts are prepared in accordance with trust deed and reported as per Charity Commission requirements
- it confirms banking arrangements for council and trust allow adequate separation
- it confirms the date of annual filing of trust accounts
- it confirms that council distinguishes clearly when acting in capacity as a trustee.

The Council is the trustee and responsible for the management two separate Trust Funds.

1. Oulton Box Day: Balance at 24th Dec 2015 = £653.26
2. Oulton Village Fund: Balance at 1st April 2017 = £3,308.34

The balances on these accounts are reported to council by its Clerk periodically.

Accounts were not made available for scrutiny. No reports or minutes of meetings at which the Council acted in its capacity as Trustee to either trust were available.

It is recommended

- *That the Council, meeting as sole or managing Trustee as appropriate, reviews its management of both trusts.*

R Calvert
2 June 2017