

# Honingham Parish Council

Internal Audit Report

For Honingham Parish Council

Financial Year 2017/18

Including Explanatory Notes for Annual Return  
(where a 'no' has been marked on page 4 of AGAR Pt 2)

Prepared by M Bergin, 16 May 2018

I have completed an internal audit of the accounts for xxx Council for the year ending 31 March 2018. My findings are detailed below using the tests provided in the Governance and Accountability for smaller authorities in England March 2018.

I would like to thank the Clerk/RFO for providing me with all the information required for the Internal Audit.

Internal control	Test	Observations
Proper bookkeeping	Is the cashbook maintained and up to date?	Yes – on a spreadsheet
	Is the cashbook arithmetically correct?	Yes
	Is the cashbook regularly balanced?	Yes by new clerk
Standing Orders, Financial Regulations and payment controls	Has the council formally adopted Standing Orders and Financial Regulations?	Yes
	Date Standing Orders last reviewed	12 March 2018
	Date Financial Regulations last reviewed	12 March 2018
	Has a Responsible finance officer been appointed with specific duties?	Yes
	Have items or services above the de minimus amount been competitively purchased?	Yes
	Are payments in the cashbook supported by purchase orders, invoices, authorised and minuted?	Yes
	Has VAT on payments been identified, recorded and reclaimed?	Yes
	Is s137 expenditure separately recorded and within statutory limits?	No S137 expenditure during 2017/18.
	Have S137 payments been approved and included in the minutes as such?	N/A
Risk management arrangements	Does a review of the minutes identify any unusual financial activity?	No
	Do minutes record the council carrying out an annual risk assessment or review of their risk management scheme?	Yes – 9 April 2018 for review in March 2019.

Internal control	Test	Observations
	Is insurance cover appropriate and adequate?	Yes - but see comments in notes.
	Are internal financial controls documented and regularly reviewed?	Yes for review March 2019
Budgetary controls	Has the council prepared an annual budget in support of its precept and has this been minuted as being approved?	Yes – in January 2018
	Has the precept been calculated from the budget and been approved?	Yes
	Does the budget include an actual completed year?	Yes
	Is actual expenditure against budget regularly reported to the council?	Yes – will be reported to council in future.
	Are there any significant unexplained variances from budget?	No
Income controls	Is income properly recorded and promptly banked?	Yes
	Does the precept recorded agree to the Council Tax authority's notification?	District council does not issue notifications.
Petty cash procedures	Are security controls over cash and near-cash adequate and effective?	Yes
	Is all petty cash spent recorded and supported by VAT invoices/receipts?	N/A
	Is petty cash expenditure reported to each council meeting?	N/A
Payroll controls	Is petty cash reimbursement carried out regularly?	N/A
	Do all employees have contracts of employment with clear terms and conditions?	Yes
	Do salaries paid agree with those approved by the council?	Yes
	Are salaries above the National Living Wage/Minimum Wage?	Yes
	Are other payments to employees reasonable and approved by the council?	Yes

Internal control	Test	Observations
	Have PAYE/NIC been properly operated by the council as an employer?	Yes
Asset controls	Does the council maintain a register of all material assets owned or in its care?	No – see notes.
	Are the assets and Investments registers up to date? When were these last reviewed?	No – see notes.
	Do asset insurance valuations agree with those in the asset register?	No – see notes.
Bank reconciliation	Is there a bank reconciliation for each account and is this reported to council?	Yes
	Is a bank reconciliation carried out regularly and in a timely fashion?	Yes
	Are there any unexplained balancing entries in any reconciliation?	No
	Is the value of investments held summarised on the reconciliation?	N/A
Year-end procedures	Are year-end accounts prepared on the correct accounting basis (Receipts and Payments or Income and Expenditure)?	Yes
	Do accounts agree with the cashbook?	Yes
	Has a year-end bank reconciliation been undertaken?	Yes
	Is there an audit trail from underlying financial records to the accounts?	Yes
	Where appropriate, have debtors and creditors been properly recorded?	Yes
Procedural	Is eligibility for the General Power of Competence properly evidenced?	N/A
	Have points raised on the last Internal Audit report been considered by council and actioned?	Yes
Transparency: For smaller councils with turnover under £25,000	Minutes for whole year on website?	Yes
	Agendas for whole year on website?	Yes

Internal control	Test	Observations
	Payments over £100 detailed on website?	Yes – in the minutes.
	Electors' rights advertised on website?	No – see notes
	Councillors' responsibilities detailed on website?	No – see notes.
	Last financial year's Annual Return on website?	Yes
	Land and building assets details on website? (Description, location, owner/leaseholder, date and cost of acquisition and present use)	No
Burial Authorities only	Are fees levied in accordance with the Council's approved scale of fees and charges?	N/A
	Have fees for the cemetery been reviewed and agreed by Council?	N/A
	Were comparisons made with other cemeteries prior to setting the fees?	N/A
	Have burial books been kept up to date and are they safely stored?	N/A
Allotments	Has a list of allotment holders with amounts paid to Council been submitted?	N/A
	Have fees for the allotments been reviewed and agreed by Council?	N/A
Councils with charities only	Have Charities reported and accounted separately?	N/A
	Have the Charity accounts been independently audited?	N/A
	Have the Charity accounts and Annual Return been filed within the legal time limit?	N/A

**Summary of my recommendations:**

Standing orders and financial regulations were adopted in March 2018. They are marked for review in 12 months. Reviews should be an agenda item and the review formally minuted. This will ensure there is evidence of proper practice.

The reconciliation of the cashbook with bank statements should be presented to the parish council at each meeting for the information of members – this action should be minuted to indicate formally that it has been done.

The requirement for payments over £100 to be on the website is met through the minutes . It would be better if these payments were listed separately on the website but this is not essential in my view. Other items required to be displayed on the website are currently not on the site (these are indicated in the report under transparency) – it is essential that the provisions of the transparency code are adhered to. The new site should enable this to take place. Councillor's responsibilities (eg. Planning committee etc) can be inserted against their name if appropriate.

The asset register is being reconstructed by the new parish clerk – current values on the annual return under assets are probably proxy values taken from the insurance policy. Construction of an accurate and meaningful asset register is likely to be a lengthy and time consuming process but is essential as a part of the council's risk management processes. The clerk may require the support of the Parish Council and also some input from persons who are long time residents of the parish to identify assets. Once the register is complete, insurance policies can be reviewed to establish fitness for purpose.

The documents and procedures I viewed were in good order and the website is quite easy to navigate. The new clerk is gradually improving a number of aspects of the Parish Council documentation and I would urge that she be supported in this task by the council in any way possible.

M Bergin  
Signed

16 May 2018  
Date