

1 Linden Crescent
Hutton Rudby
North Yorkshire
TS15 0HU

Rudby Parish Council
18 Deepdale
Hutton Rudby
TS15 0DS

27th May 2017

Dear Councillors

Internal Audit 2016/17 – Rudby Parish Council

I have carried out an examination of the records of the Council for the year ended 31 March 2017 and completed page 5 of the Annual return.

The purpose of the internal audit is to review and report to the Council whether its systems of financial and other internal controls over its activities and operating procedures are effective. I have approached the audit with reference to the Joint Panel on Accounting Guidance (JPAG) "Governance and Accountability for smaller Authorities in England March 2017".

The Audit report addresses the ten key audit control objectives which form the basis of the report at page 5 of the Annual Return.

SUMMARY FINDINGS

I am pleased to report the financial records have been kept satisfactorily throughout the year and the year end accounts and Return have been accurately completed.

There are some matters to be brought to your attention, contained within the report below.

A. BOOKS OF ACCOUNT

The records are maintained on a computer, and the system of recording the financial transactions seems appropriate for the level of transactions.

Recommendation: The cash book is printed and reviewed and authorised by two councillors on a quarterly basis. It is recommended that signatories ensure the opening balance for the current quarter agrees to the closing balance at the date of the last printed report. This will ensure no data entered and previously reconciled has been updated.

B. FINANCIAL REGULATIONS

The Council approved its Financial Regulations at the meeting 10th October 2016. Evidence was seen the council is following the regulations. From a review of the minutes the council approves all payments in the cash book, and invoices are signed by two councilors.

The most recent VAT reclaim was to 31 December 2015. The Clerk confirms she will reclaim VAT to 31 March 2017 in the next month.

Recommendations:

Recording the cheque number on the invoice will enable easier traceability of invoices to the cashbook. It will also act as a record on the invoice that it has been paid.

Where payments are made on statements, as in the case of the settlement of the Burial Land, signatories should ensure all supporting documents/invoices are attached.

C. RISK MANAGEMENT

The Council has a Risk Management document, adopted on 12th March 2012. The Council is required to review its Risk Assessments on an annual basis.

Recommendations:

This should be completed and minuted. The Risk Management document should be updated to reflect any changes since 2012.

D. BUDGET & PRECEPT

The Budget was prepared by the Finance Committee in the correct timescale and approved by the Council with the precept.

E. INCOME

In addition to the precept, the council received Other income in the year from Bequests and Grants. Both were supported by documentation.

F. PETTY CASH

The Council holds a small petty cash float, which is appropriate for the purpose of purchasing stamps etc. It is not however regularly reconciled or reviewed by a Council member.

Recommendation: The petty cash should be reimbursed at least half yearly and should be reviewed by a council member on a quarterly basis as per other reconciliations.

G. PAYROLL

Payroll is performed by Thirsk Community Care Association for which a charge is made. Payments to HMRC and the Clerk are minuted by the Council.

H. ASSETS

The council has an asset register which has been updated to reflect the purchase of the Burial Land, and goal posts. Other assets have also been revalued to a notional value which appears reasonable.

I. BANK RECONCILIATIONS

The Council has four bank accounts. These were reconciled at the end March and September, however a difference at December had not been identified or resolved by the year end.

Recommendations:

The bank accounts should be reconciled on a quarterly basis and the year end reconciliation should be reviewed by a Council member.

The Council has an account for the Allotments. The balance on this account has remained unchanged since at least 2008, as all transactions are processed through the Community Account. It would seem appropriate to tidy up this anomaly and transfer the balance and close the Account.

J. YEAR END ACCOUNTS

These were prepared on the receipts and payments basis. The annual return could be traced back to the underlying accounts.

Other areas for consideration:

The suggested approach to internal audit testing recommends that some checking is carried out throughout the year. From my review of the Councils records and processes and considering the level of transactions, the quarterly review and reporting to the Council by the responsible Councillor seems adequate, together with the annual internal audit.

I have also attached for your information a report in more detail, showing the work covered by the audit to assist yourselves in assessing the overall effectiveness of the internal audit.

Yours faithfully



Carol Banks

Rudby Parish Council – Internal Audit

	Internal Control	Reported findings
A	Appropriate accounting records have been kept properly throughout the year	
	Review transactions in Cash books	It was noted that an amount previously entered in the cash book and reconciled had been changed. This related to a cheque (102096) for the Clerk's Salary which included petty cash. See I below.
	Is cashbook maintained and upto date?	Yes
	Is cashbook regularly balanced?	Yes, authorised by a Council member and balances reported in Minutes quarterly.
B	The Council met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	
	Has the Council formally adopted standing orders and financial regulations?	Financial controls are documented in the "Financial regulations", approved at 10th Oct 2016 meeting. NALC standing orders adopted per Clerk. These were not available for the audit.
	Review invoices and reconcile to cashbook, ensure authorised and minuted.	Invoices are authorised and minuted each month.
	Has Vat on invoices been recorded and reclaimed?	VAT has been recorded, however no claim for VAT has been made since 31 Dec 2015. The Clerk confirmed a VAT reclaim to 31 Mar 17 will be submitted asap.
	Have competitive quotes been obtained for items in accordance with regulations?	Reference in minutes to quotes being sought and received. All spend approved in minutes on basis of quotes.
C	The Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	
	Does the Council have a risk assessment policy?	Yes. Risk Management document adopted 12 th March 2012.
	Review minutes to confirm annual risk assessment carried out.	The Clerk confirmed the last review was carried out in March 2015 and will be on the Agenda for June 2017.
	Review minutes for any unusual activity, financial or otherwise.	Minutes reviewed and noted the following items; Purchase of land to extend burial ground and Neighbourhood plan commenced.
	Does the Council have insurance cover, and does it appear reasonable?	Insurance cover in place and appears to be reasonable.
D	The precept requirement resulted from an adequate budgetary process; progress against budget was regularly monitored; and reserves were appropriate.	
	Has the Council prepared an annual budget in support of its precept.	The Budget is prepared by the Finance committee.

	Is actual expenditure against the budget regularly reported to and reviewed by the Council?	Quarterly reports circulated. Noted in the minutes.
	Are variances to budget explained ?	Annual variances per Annual Return.
	Review minutes for approval of budget.	The Budget & precept for 2015/16 approved by the Council 9th Nov 15. 2016/17 precept approved 12 Dec '16 & the budget 13th Feb '17. Minutes agreed.
E	Expected income was fully received, based on correct prices, properly recorded and promptly banked and VAT appropriately accounted for.	
	Is income properly recorded and promptly banked?	Income was properly recorded and banked.
	Does the precept agree to the Council Tax Authority's notification?	The precept agreed with the Council Tax Authority's notification.
	Check Other Income to receipts	Other income was agreed to supporting documents where appropriate. It was noted that a cheque was received from Jacksons for duplicate payment of fees. Its unclear whether the invoice paid, was the same as attached to the statement of final settlement.
F	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	
	Is all petty cash expenditure supported by invoices/receipts?	The Council holds a small petty cash float, primarily for postage. Review of the cash book, shows it becomes overdrawn and not all amounts are supported by receipts.
	Is petty cash reimbursed and authorised regularly?	Reimbursed once in the year. No review by a Council member.
G	Salaries to employees and allowances to members were paid in accordance with Council approvals, and PAYE and NI requirements were properly applied.	
	Does the employee have a contract of employment?	Yes
	Does the salary paid agree with that approved by the Council?	Payments as shown in the cash book reconcile to the payroll records from TCCA and are minuted by the Council each month.
	Are other payments reasonable and approved by the council?	Other payments to the Clerk appear reasonable and are approved by the council each month.
	Have PAYE/NIC been properly operated and payments made to HMRC?	Payroll is performed by Thirsk Community Care Assoc'n for which a charge is made. Payment is minuted by the Council each quarter.
H	Asset and investments registers were complete and accurate and properly maintained	
	Does the Council maintain a register of all material assets?	There is an upto date Asset Register.

	Is the Asset register up to date?	This has been updated with items acquired in the year, primarily the Burial Land which was minuted 11 July 2016.
	Review Asset register for unusual items.	None
	Review Minutes for capital items	Desk for Clerk approved, not yet purchased. Computer has been ordered.
I	Periodic and year end bank account reconciliations were properly carried out.	
	Are the bank accounts reconciled on a regular and timely basis?	The Council has four bank accounts. These were reconciled at March and September. The discrepancy due to the change noted at A above was not noted at December.
	Are they reviewed?	No. The cash book and bank statements are reviewed by a Council member on a quarterly basis.
	Check year end reconciliation	There was a difference between the balance per the bank statements and balance per the cash book which had not been identified on the year end reconciliation. The reconciliations should be performed on a quarterly basis and reviewed by a separate Council member.
J	Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cashbook, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	
	Confirm year end Accounts prepared on correct accounting basis.	The level of income & expenditure during the year was under £200,000 it is therefore appropriate that accounts are prepared on a receipts & payments basis.
	Check Accounts agree with cashbook	The Annual return could be traced back to the Accounts & cashbook.
	Is there an audit trail from underlying financial records to the accounts?	An audit trail does exist.