

Mrs Anne E. Barnes FILCM
Internal Auditor
16a Newmarket Rd
Cringleford
Norwich
NR4 6UE

Mr A. Arber

Clerk to Easton Parish Council

Easton

Norwich

Dear Alan,

Internal Audit Report - For the Attention of the Council

For Year Ended 31 March 2016

I am aware that for a large proportion of the year the Council has been without a full time Clerk and Responsible Financial Officer and that Locum Clerks have been employed in the interim period until the current Clerk took up his post. This has obviously left the Council with problems of continuity and this is recognised in my report.

For the purposes of this audit I have listed below the items I have had sight of and the items that were missing at the time of audit.

- Minute Book (Minutes were missing for May 15, July 15, September minutes are marked as DRAFT, March 16)
- Standing Orders
- Financial Regulations
- Alliance and Leicester/Santander Bond up to 10 June 2013. Current details of Bond missing.
- HMRC Months 7-12 only. Months 1-6 missing.
- List of Earmarked Funds
- Vat records
- Invoices, Payments, Cheque books, Paying-In books, Bank Statements
- Financial Statement and Bank Reconciliation
- Annual Return Form

Missing Items

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- Minutes, as above
- HMRC records, as above
- Risk Assessment
- Financial Risk Assessment
- Asset Register
- Insurance Policy
- Staff Contracts of Employment
- Budget 2015/16 or 16/17

A. Appropriate accounting records have been kept properly throughout the year.

I have inspected the Council's records to 31st March 2016. I have examined your cashbook and found it to be well maintained and up to date, correct and regularly balanced. I have also examined your invoices, cheque books, paying-in books, bank statements and compared these to your Receipts and Payments account.

B. This smaller authority met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

I have examined your invoices as presented to me and note that VAT was properly accounted for.

Note 1. I am concerned that there are 36 payments or receipts for which you have no invoice or documentation. However, of these, 22 are in relations to payments for salaries or to HMRC and some of the information can be obtained and validated from HMRC Basic Tools reports. The cheque stubs in relation to these payments have been signed by two signatories so I have presumed that these payments have been checked and properly authorised by the Council prior to the cheques being released for payment.

The Council must ensure there is adequate documentation retained to satisfy that a payment or receipt is due to or from the Council. (High Risk)

C. This smaller authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

Standing Orders and Financial Regulations adopted and Applied

I have examined your Standing Orders and note that these were reviewed by the Council in September 2015.

Risk Management Arrangements

I note from the Minutes that your Risk Assessments and Financial Risk Assessments have been reviewed in November 2015 but have not had sight of these documents.

Insurance

I have noted that the Council's insurance was reviewed in October 2015 and is with Came & Company. I have not had sight of the current insurance policy so cannot ensure the insurance cover is adequate. This should be examined at the next audit.

D. The Precept or Rates requirement resulted from an adequate budgetary process; progress against the Budget was regularly monitored; and reserves were appropriate.

I have not had sight of the Budget for 2015/16 or 2016/17. However, from the Minutes it appears that no formal Budget has been raised but a 10% increase has been agreed for 2016/17.

Note 2. I recommend that a proper Budget is raised as soon as possible for 2016/17.

There is no evidence of any Budget monitoring comparisons against Budget for 2015/16 and this has resulted in a serious overspend of the General Fund. I have assumed that the overspend has been financed from Earmarked Funds. This must not be allowed to continue.

Note 3. Earmarked Funds are for the specific purpose agreed at the time of Earmarking the Fund and they should only be used for that purpose and no other. Your recorded Earmarked Funds are £86,697.62 but you only have £83,071.53 in the bank. This is not possible and it is obvious that payments have been made using Earmarked Funds and not been recorded. This requires further investigation by the Council and a re-statement of Earmarked Reserves to reflect the actual amounts in these reserves.

Section 137

Section 137 Expenditure has also been separately recorded in the cashbook and is within your statutory limits.

E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

Income Controls

I note that all income is recorded and banked properly and the Precept agrees with the Parish Council's notification to the Council Tax authority, South Norfolk Council. The Parish Council has very few cash transactions and adequate controls are in place to minimise any loss.

However, see Note 1. Some documentation relating to income is missing and I have made assumptions based on the Minutes. The Council must ensure that there is proper documentation for each item of income.

VAT Payments Controls

I confirm that all VAT expenditure has been recorded separately and reclaimed at regular intervals.

F. Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.

Petty Cash Procedures

I note that the Parish Council does not operate a petty cash system.

- G. Salaries to employees and allowances to members were paid in accordance with this smaller authority's approvals, and PAYE and NI requirements were properly applied.**

Payroll Controls

I have examined the PAYE records for all staff and the Clerks Salary and expenses records. The Clerks salary and expenses have been approved by the Council and PAYE and NIC have been properly operated by the Council as an employer.

Note 4. It appears that the Council's HMRC records were not properly transferred from one computer to another and this has resulted in an overpayment to HMRC of £87.45. This amount will be reclaimed in 2016/17.

Adequate records of payments to employees have not been kept and there does not appear to be any evidence of payslips for employees. The Council has a duty to give all employees a payslip and a copy of this should be kept in your invoice folder as evidence of the payment.

Contracts of Employment and Job Descriptions were not available to me at the time of the audit. All staff must by law have a Contract of Employment and a Job Description. The Contracts should include details of pay and pay scales, holiday entitlement, sickness notification, etc., as well as Disciplinary Procedures and Grievance Procedures.

- H. Asset and investments registers were complete and accurate and properly maintained.**

I have not been given an Asset Register and details of your Investment Bond are inadequate and only date to 10 June 2014. I do have an Investment Statement for 31 March 2016 but it does not make it clear what type of investment this is and whether the money is still in the Bond or has been transferred into a low interest account.

Note 5. I recommend that you ascertain from Santander the current status of your investment with them.

Asset Controls

I have not examined the Council's Asset Register and therefore cannot confirm that they have been kept up to date. I have not seen the current Insurance Policy and so cannot confirm that the insurance valuations agree with those in the Asset Register.

Note 6. Please ensure that the Asset Register and Insurance Policy are available at the next audit.

- I. Periodic and year-end bank account reconciliations were properly carried out.**

Bank Reconciliation

I have examined the Bank Statements and the Receipts and Payments Book and confirm that there is a Bank Reconciliation for each account. The reconciliation is carried out monthly and explanations entered for any un-reconciled amounts or outstanding cheques. The total value of the investments is summarised on the reconciliation.

- 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.**

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Year-End Procedures

I can confirm that the year-end accounts are prepared on a Receipts and Payments basis and that the accounts agree with the cashbook with an appropriate and adequate audit trail.

Matters for the Council's Attention

There are a number of issues relating to the accounts as stated in my narrative and Notes above. The Council should take immediate action to address these issues and ensure that adequate records are kept in future.

Yours sincerely,

Mrs A.E. Barnes FILCM