

## TIDENHAM PARISH / TOWN COUNCIL

Internal auditor's report for the year ended 31 March 2017

Date of appointment of Internal Auditor: 02 March 2017

Date(s) of Internal Audit: 02 March 2017 onwards (interim / full)

### 1. Bookkeeping

| Ref | Test  | Meets requirements | Internal auditor's comments   | For use by Council  |
|-----|---|--------------------|---|---|
| 1.1 | Were books made up to date?   | Yes                |   |   |
| 1.2 | Is cash book arithmetic correct?<br>(If excel - check formulae)               | Yes                | Transfers between accounts should not be shown as income or expenditure. They could be dealt with through the bank reconciliation. Some cheques were identified as "earmarked from 2015-2016". On a receipts and payments basis these belong to year in which they were signed. Some figures are manually typed in two places in the spreadsheet; could be error prone. | On a receipts and payments basis all transactions should be recorded as they happen. The payments earmarked are shown as they have taken place during the current year but have been quite clearly marked in the spreadsheet and have not been included in budget calculation totals. |
| 1.3 | Is there evidence of regular in-house checks by members (signed and minuted)? | Yes                | Monthly check of bank statement, quarterly check of random payments (e.g. see minutes of Finance Committee 30 November 2016).   |   |

### 2. Day to day transactions

| Ref | Test  | Meets requirements | Internal auditor's comments | For use by Council |
|-----|---|--------------------|-----------------------------|--------------------|
| 2.1 | Have Standing Orders been formally adopted? | Yes                |                             |                    |

|      |  |     |  |  |
|------|--|-----|--|--|
| 2.2  | Have Standing Orders been reviewed and minuted?  | Yes | Document re-adopted at meeting of 18 May 2016. Internal audit recommended that the document be brought up to date. This hasn't happened. | This is incorrect – Councillors do not wish to adopt the NALC model Standing Orders which are not mandatory and the current Standing orders meet legal requirements. |
| 2.3  | Have Financial Regulations been tailored to council and formally adopted?  | Yes |  |  |
| 2.4  | Have Financial regulations been reviewed and minuted?  | Yes | Document re-adopted at meeting of 18 May 2016. Change made 18 January 2017.  |  |
| 2.5  | Have items / services above the de minimus amount been competitively purchased in accordance with Financial and Procurement Regulations? |     | Grass cutting was competitively tendered but the council is now in year 3 of a 3 year deal.  |  |
| 2.6  | Has the General Power of Competence been adopted? If "yes", has evidence been seen? E.g. a minute  | Yes | Not adopted.   |  |
| 2.7  | If 2.6 = "no", separate account for s.137 payments?  | N/A | Not necessary.   |  |
| 2.8  | If 2.6 = "no", s.137 spend limit for year identified?  | Yes | Identified on budget.  |  |
| 2.9  | Loans – interest / principal payable   | Yes | No loans received.   |  |
| 2.10 | Lending – interest / principal receivable.   | Yes | No loans made.   |  |
| 2.11 | Does the Council have a Grant Awarding policy?   | Yes | Last amended May 2012.   |  |
| 2.12 | Councils authorisation of Direct Debit / SO list approved.   | Yes | The council now has Internet banking but see note 1 at end of report.  |  |

### 3. Risk management

| Ref | Test  | Meets requirements | Internal auditor's comments   | For use by Council |
|-----|---|--------------------|---|--------------------|
| 3.1 | Evidence that council maintains an adequate & effective system of internal control, including risk management and that it is reviewed by full council annually? | Yes                | Council has a general risk assessment dated 16 November 2016. intention is to review this November 2017.  |                    |
| 3.2 | Copy of Risk Management policy / statement seen?  | Yes                | Adopted 16 November 2016.   |                    |
| 3.3 | Minutes checked for unusual activity & evidence that risks are being identified and managed   | Yes                | No unusual activity.  |                    |
| 3.4 | Minutes initialled, each page identified and overall signed   | Yes                |   |                    |
| 3.5 | Insurance – in place, and adequate and appropriate?<br>See also 8.3   | Yes                |   |                    |
| 3.6 | Insurance – evidence of review of cover   | Yes                | Insured through Aviva until 30 September 2017.  |                    |
| 3.7 | Evidence that assets have been inspected for risk   | Yes                | RoSPA play area safety check report was commissioned.   |                    |
| 3.8 | Review of investments, including bank accounts  | Yes                | Reviewed at meeting of 18 May 2016. Council has moved surplus funds from the bank to another institution. |                    |

### 4. Budgetary controls

| Ref | Test                  | Meets requirements | Internal auditor's comments                  | For use by Council |
|-----|-----------------------|--------------------|--|--------------------|
| 4.1 | Was a budget adopted? | Yes                | Budget for 2016-2017 was proposed by Finance |                    |

|     |  |     |  |   |
|-----|--|-----|--|---|
|     |  |     | Committee in meeting of 02 December 2015 and approved by full Council on 09 December 2015. |   |
| 4.2 | Was a copy of the budget attached to the minute adopting it?   | Yes | Copy of budget for 2017-2018 was attached to minutes though not for previous year.         | Previous 3 year's budgets are quite clearly shown next to proposed 2017/2018 figures. |
| 4.3 | Was a contingency included in the budget?  | Yes | Contingency was via earmarked and general reserves.  |   |
| 4.4 | Were the objectives of the reserves identified?  | Yes | Listed in budget.  |   |
| 4.5 | Were the balances at the close of the year projected?<br>How many months spend does the general reserve represent?       | Yes | The council's reserves are slightly more than the annual precept. Acceptable.              |   |
| 4.6 | Did the council regularly compare the actual income and expenditure to the budget, as detailed in financial regulations. | Yes | .  |   |
| 4.7 | Are there any significant unexplained variances from budget?   | Yes | No unexplained variances.  |   |

## 5. Income controls

| Ref | Test                                     | Meets requirements | Internal auditor's comments                         | For use by Council |
|-----|--|--------------------|---|--------------------|
| 5.1 | Was the precept demand properly minuted? | Yes                |   |                    |
| 5.2 | Was the precept received?                | Yes                | Two tranches.                                       |                    |
| 5.3 | Were all anticipated grants received?    | Yes                | Grant received from Gloucestershire County Council. |                    |
| 5.4 | Were all anticipated rents received?     | N/A                |   |                    |
| 5.5 | Was all anticipated investment           | Yes                |   |                    |

|     |   |     |                      |  |
|-----|---|-----|----------------------|--|
|     | income received?  |     |                      |  |
| 5.6 | Is income properly recorded and promptly banked? As quickly as possible                               | Yes |                      |  |
| 5.7 | Are security controls over cash adequate and effective? If in receipt of cash, is a receipt provided? | Yes | Cash is not handled. |  |

### 6. Petty cash/cards/internet banking

| Ref | Test   | Meets requirements | Internal auditor's comments | For use by Council |
|-----|--|--------------------|-----------------------------|--------------------|
| 6.1 | Was cash float sufficient and regularly replenished?                       | N/A                |                             |                    |
| 6.2 | Was the cash float physically counted by a member?                         | N/A                |                             |                    |
| 6.3 | Was expenditure approved?  | N/A                |                             |                    |
| 6.4 | Is all expenditure supported by VAT invoices / receipts?                   | N/A                |                             |                    |
| 6.5 | If credit / debit / prepaid cards in use, proper procedures in place?      | N/A                |                             |                    |
| 6.6 | Is the 2 cllr signature rule applied to payments made by internet banking? | No                 | See note 1.                 |                    |

### 7. Payroll

| Ref | Test  | Meets requirements | Internal auditor's comments      | For use by Council |
|-----|---|--------------------|----------------------------------|--------------------|
| 7.1 | Do all staff have a contract of employment?                         | Yes                |                                  |                    |
| 7.2 | Are contracts regularly reviewed?                                   | Yes                | Reviewed March 2017.             |                    |
| 7.3 | Do salaries paid agree with those approved by Council?              | Yes                |                                  |                    |
| 7.4 | Are other payments to employees reasonable and approved by Council? | Yes                | Expenses are claimed each month. |                    |

|     |   |     |   |  |
|-----|---|-----|---|--|
| 7.5 | Has the Council registered as an employer with HMRC and have PAYE / NIC been properly dealt with (including year-end procedures)? | Yes |   |  |
| 7.6 | Minimum wage paid?  | Yes |   |  |
| 7.7 | Are Councillor's allowances and expenses properly authorised & controlled and reported to HMRC if required?                       | Yes | Seen by council each month.   |  |
| 7.8 | Pension provision in place/considered?  | Yes | The council meeting of 15 March 2017 considered the pension provision required for both employees. Staging date is 01 April 2017. |  |

### 8. Assets control

| Ref | Test  | Meets requirements | Internal auditor's comments   | For use by Council |
|-----|---|--------------------|---|--------------------|
| 8.1 | Asset register seen and up to date?               | No                 | Reviewed at meeting of 18 May 2016. Note that the sum at the bottom of the "Insured" column covers the wrong range making the final total incorrect. An asset value is still shown for a noticeboard that has been disposed of. | Now amended        |
| 8.2 | Basis of valuations                               | Yes                | Acquisition/nominal cost and insurance values are given (though I don't think VAT should be included).  | Register amended   |
| 8.3 | Comparison with insurance schedule (see also 3.4) | Yes                |   |                    |

### 9. Bank reconciliation during the year

| Ref | Test | Meets | Internal auditor's comments | For use by Council |
|-----|------|-------|-----------------------------|--------------------|
|-----|------|-------|-----------------------------|--------------------|

|     |   |              |                         |  |
|-----|---|--------------|-------------------------|--|
|     |   | requirements |                         |  |
| 9.1 | Evidence of completion for each account on regular basis? | Yes          | Monthly.                |  |
| 9.2 | Any unexplained balancing entries in any reconciliation?  | Yes          | No unexplained entries. |  |

### 10. Year-end procedures

| Ref  | Test  | Meets requirements | Internal auditor's comments | For use by Council |
|------|---|--------------------|-----------------------------|--------------------|
| 10.1 | Cash book additions:<br>- (a) tested by Councillor?<br>- (b) tested by Internal Auditor?                                      | Yes                |                             |                    |
| 10.2 | Bank reconciliation:<br>- (a) Original bank statement(s) seen?<br>- (b) RFO's reconciliation?<br>(last year and current year) | Yes                |                             |                    |
| 10.3 | Where appropriate, debtors and creditors properly recorded?   | N/A                |                             |                    |
| 10.4 | RFO to sign and certify year end accounts   | Yes                |                             |                    |
| 10.5 | Council as a whole to consider the year end accounts  | Yes                |                             |                    |
| 10.6 | Annual Governance Statement, Section 1 of Annual Return approved by whole council   | Yes                |                             |                    |
| 10.7 | Annual Statement of Accounts, Section 2 of Annual Return approved by whole council  | Yes                |                             |                    |

### 11. Other matters

| Ref  | Test  | Meets requirements | Internal auditor's comments                   | For use by Council |
|------|---|--------------------|---|--------------------|
| 11.1 | VAT - recorded and paid / reclaimed properly? | Yes                | VAT expenditure is accrued for reimbursement. |                    |

|       |  |        |   |   |
|-------|--|--------|---|---|
| 11.2  | Code of conduct adopted by resolution of full council?                                   | Yes    | Adopted 20 June 2012  |   |
| 11.3  | Referrals under the Code of Conduct?   | Yes    | None observed.  |   |
| 11.4  | Registered with ICO?   | Yes    | Registered until 25 June 2017.  |   |
| 11.5  | Is the Council a Managing Trustee  | Yes    | Mopla Cottages Charitable Trust.  |   |
| 11.6  | Minutes - apologies  | Yes    |   |   |
| 11.7  | Minutes – declarations of interest   | Yes    | Provision on agenda and in minutes.   |   |
| 11.8  | Minutes - dispensations  | Yes    | Provision on agenda and in minutes.   |   |
| 11.9  | Minutes generally  |        |   |   |
| 11.10 | Previous internal audit – action taken where recommended?                                | Mostly | Appraisals take place, risk management has improved. However, Standing Orders have not been updated.  | I think should show yes – see 2.2 above |
| 11.11 | Previous external audit – action taken where recommended?                                | Yes    | A process has been put in place to identify and manage risk.  |   |
| 11.12 | Electronic records backed up, physical records stored securely (fire proof box/off site) | Yes    | Use is made of both a portable hard drive and cloud storage.  |   |
| 11.13 | Compliance with Transparency Cde/guidance  | No     | Most of the required documents are present on the web site but at least one (Asset Register) appears to be missing. Suggest a check against the requirements. | Asset Register now on website.          |
| 11.14 | List of members' interests held?   | Yes    |   |   |
| 11.15 | Agendas signed and displayed 3 clear days prior  | Yes    |   |   |
| 11.16 | Summons issued in proper format?   | Yes    |   |   |
| 11.17 | Delegated authority  | Yes    |   |   |



Note 1 – The council has Internet banking. Lloyds appear to have given the clerk full authority to make payments even though the council's mandate requires multiple signatures on cheques. I believe this is the bank's error and leaves the clerk vulnerable if a mistake is made in making a payment. The clerk has put in place a manual procedure for councillors to approve payments but this can and should be done through the facilities of the Lloyds Treasurer's account. Also, are there adequate controls over making payments from the Building Society account (i.e. multiple signatures required)?

Parish Council Financial Regulations require that the instructions for bank payments be authorized by two signatories as per the bank mandate prior to any payment being made – this is done at each Council meeting. Regulatory Reform 2014 No. 580 of the Local Government Act removes the requirement for every cheque or other order for payment to be signed by two members of the Council to facilitate the use of electronic means of payment.