



INTERNAL AUDIT REPORT

TO

**BUDBROOKE
PARISH COUNCIL**

FOR THE FINANCIAL YEAR

2016 - 2017

Prepared by: Bill Robinson

Issued May 2017

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Statement of Responsibility

The audit work I have undertaken was carried out based upon the Internal Audit Scope agreed with The Responsible Financial Officer of Budbrooke Parish Council

This report has been prepared solely for Budbrooke Parish Council's use and should not be quoted in whole or in part. No responsibility to any third party is accepted as the report has not been prepared, nor is intended, for any other purpose.

The matters raised in this report are only those which came to my attention during the course of the audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The Parish Council should assess recommendations for improvements for their full impact on the Parish Council's budget, financial regulations, standing orders, risk assessments, and any other activities before they are implemented.

The responsibility for a sound system of internal control rests with the Parish Council and therefore audit work performed by the Internal Auditor should not be relied upon to identify all circumstances of fraud or irregularity should there be any, although these internal audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance. Effective implementation of Internal Audit recommendations by the Internal Auditor to the Parish Council is important for the maintenance of a reliable internal control system.



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Budbrooke Parish Council Internal Audit

The Internal audit was undertaken on 09th May 2017

Accurate book keeping

- Income and expenditure entries to the cashbook were checked and found to be up to date and correct.
- All payments and receipts were found to be correct and supported by documentation
- All payments were supported by the proper authorisation from the Parish Council
- Bank reconciliation – this was checked and found to be correct.
- In addition an audit trail of the following cheques was carried out.

For year 1st April 2016 to 31st March 2017

Current Account

Date	Cheque No.	Amount	Payee	Minute ref.
04/04/16	001589	£250.00	Think Design	374/13.4
30/04/16	001591	£540.99	Staff	379/20 vi
30/04/16	001595	£965.00	Phoenix Contractor	379/20 vi
04/05/16	001598	£838.23	Zurich	379/20 vi
31/05/16	001602	£745.00	Phoenix Cont.	383/13.5
01/06/16	001606	£30,000.00	BCA CIO	383/13.5
06/07/16	001609	£250.00	Think Design	388/15.4
31/07/16	001615	£546.00	WALC	393/14.2
31/08/16	001619	£480.00	Phoenix Cont.	397/13.1
30/09/16	001624	£87.50	I.Broadbridge	402/13.3
04/10/16	001628	£400.00	Warwick DC	402/13.3
31/10/16	001631	£200.00	M.Dutton	406/13.1
30/11/16	001636	£588.00	Grant Thornton	411/14.4
03/01/17	001639	£50.00	Phoenix Cont.	415/13.2
09/01/17	001644	£150.00	MI Bus. Services	415/13.2
28/02/17	001648	£200.00	Phoenix Cont.	422/14.2
28/02/17	001650	£100.00	WALC	422/14.2
31/03/17	001652	£87.50	I.Broadbridge	427/13.3

All cheques audited were matched to the individual invoice and minute reference.

All cheque audit trails were satisfactory

It was noted that cheque stubs are now being properly initialled by both cheque signatories

It was noted that all income was properly received and promptly banked

Business account

It was checked and found that there was no activity other than the addition of interest; the Parish Council might wish to consider putting these funds into a higher interest bearing account or bond if one is available.

Year End Accounts

The year end accounts for the financial year 2016 -2017 were checked and found to be arithmetically correct across all accounts

It was noted that the Annual Governance Statement and Accounting Statement will be presented at the June 2017 Parish Council meeting for approval.

Receipts and payments

These were checked and found to be correct on the spreadsheet, with all income properly banked in an expeditious manner. If the spreadsheet malfunctions it is unclear who will be able to reset it (this could be a problem if the Clerk/RFO was unable suddenly to carry out her function).

Income Control

It was noted that there all receipts including the precept were paid directly to Budbrooke Parish Council bank account.

Budget Controls

It was noted that the Clerk produces a monthly bank balance together with a half yearly bank reconciliation for the Council, in order that the Council has the ability to control its budget. It was noted that one Councillor checks the reconciliation which is then passed to the Council for consideration

It was noted that the Council approved the half yearly 2016-2017 accounts in minute page 405 item 13.1

It was noted that the 2017-2018 draft budget was approved in minute page 415 item 13.1

It was noted in minute page 410 item 12 that the bank signatories were updated, it is good practice to regularly review the bank mandate.

Loans

It was noted that the Parish Council has no loans.

Petty Cash

It was noted that Budbrooke Parish Council does not operate a petty cash scheme, and this information will be added to the Year End Schedule G2 for the External Auditor.

Financial Regulations

It was noted that in minute page 410 item 12 that Council approved the Financial Regulations having made alterations to MFR 1.6, MFR 6.4, and MFR 11.

It was noted in the last internal audit that concerns had been raised about the level of cash held at any one time by the Clerk/RFO; however the Clerk now indicates that the level of cash is so small as not to be significant, and will probably diminish over time.

Standing Orders

It was noted in the December minute page 410 item 12 that the Standing Orders were approved with alterations to the levels for financial control and procurement, these levels now accurately meet the Parish Council requirements.

Asset Register

It was noted that Budbrooke Parish Council asset register was approved and in line with box 8 of the year end accounting statement, however it was noted that the projector and screen have been valued at £1. Although these items were given by Warwick DC (to view planning applications rather than having hard copies of then drawings), should they be rendered unserviceable or lost, it would seem that the Parish Council would have to replace them; therefore it would seem reasonable that the Council review the value of these items.

Parish Council Agendas

It was noted that all agendas were properly signed and dated

Minutes of the Parish Council meetings

All minutes were checked, and found to be satisfactory and properly signed on the last page, however Minute pages 371, 272, 373 of the April 2016 meeting were not initialled. Minute pages 375, 376, 377 of the May 2016 were also not initialled.

It was noted in minute page 376 items 8 and 9 that appointments to working groups and outside bodies were agreed – it is good practice to annually review these appointments.

It was noted in minute page 382 items 10 and 10.2 that the Parish Council adopted a policy for grants from the community reserve fund, and authorised a grant of £30,000 to BCA for improvements to the community centre.

It was noted that the minutes of the meeting on 21st April 2016 dealing with the Warwick District Council Local Plan are not numbered or initialled although they have been signed on the last page by the Chairman. If these are part of the minutes then they should be numbered and initialled, if they are not part of the minutes then they should not be signed, rather they are just an addendum to the meeting.

It was noted that BCA gives regular reports to the Parish Council regarding the refurbishment of the community hall.

Internal Audit Review

It was noted in minute page 393 item 14.1 (3rd August 2016 meeting) that the internal auditors report was reviewed and accepted

Insurance

The Parish Council insurance was checked and found to be satisfactory to meet Budbrooke Parish Council's requirements.

It was noted in minute page 378 item 20 iv that the Parish Council accepted the quote from Zurich for annual insurance.

Payroll

It was noted that the Clerk uses HMRC's basic PAYE Tools online to declare earnings and determine tax and NICS liabilities.

Pension Liabilities

The Clerk is aware that the Pensions Regulator requires that Budbrooke Parish Council enrolls as an employer by a predetermined date for a potential pension liability, although this may not affect the Parish Council currently, the Council must be aware that in the future it may have an impact.

Risk assessment

It was noted that Budbrooke Parish Council now has a financial risk assessment that looks at the risks to all council finances and policies, except the risk that the Clerk/RFO is unable to carry out her functions suddenly. The Council should put in place a policy that would mitigate such a possibility, and it might therefore be in order for the Parish Council to cost a key person insurance liability as part of the risk assessment.

It was noted that currently a play equipment inspection is carried out on a weekly basis by a new contractor (noted in minute page 377 item 13 that the Council was not satisfied with the contractor and used another) and sent to the Clerk electronically for storage and presentation to the Council. It is good practice to look at the performance of all contractors on a regular basis and change the contractor when standards are not being met.

Grant Funding

It was noted that grant funding from the community centre reserve fund has been earmarked for BCA CIO. Whilst it is common for Councils to earmark reserves for single projects, it is less common for Councils not to have a formal arrangement whereby other groups can access grant funding provided laid down criteria are met. This is not a direct criticism of the current practice; rather it is an observation that there could be accusations of partiality/discrimination against other community groups

Sec.137 Payments

It was noted that Budbrooke Parish Council made no payments under this legislation in the financial year 2016-2017.

General Power of Competence

It was noted that the Parish Council doesn't have this power and should consider whether it would help the Council were this power to be available. It was noted that the Clerk/RFO has now registered for CiLCA, and the Council is to be commended for this.

Grievance and Complaints Procedures

It was noted that in addition to Standing Orders and Financial Regulations, Budbrooke Parish Council has adopted the above procedures including, a lone working procedure, and retention of documents and records procedure. These were adopted on the meeting of 6th July 2016.

Whilst the Lone Working arrangements broadly meet the requirements, the Council should consider whether to formally address the fact that the Clerk/RFO as key holder is likely to be the last to leave the building e.g. whether one or more Cllrs are formally charged with waiting until the building has been locked.

Health and Safety Policy

As part of its Health and Safety responsibilities that Parish Council should be aware of the Lone Worker Directive as it applies to Parish Clerks, and a policy for ensuring that the Council meets its responsibilities with regard to the working conditions of the Clerk (e.g. last one out of the building after a Council meeting,, meeting with parishioners to fulfil statutory obligations re public examination of accounts, and dealing with parishioner complaints)

Transparency Act

After investigating the Council website it was noted that Budbrooke Parish Council meets its obligations under the Act.

Conclusion

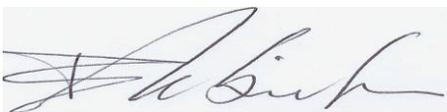
Whilst undertaking the Internal Audit, it became apparent that the Clerk/RFO is carrying out her responsibilities to the standard required by Local Government Finance Regulations.

Where I have commented on future actions, these are not criticisms as such; rather they are only issues for Budbrooke Parish Council to consider.

Where the Parish Council has policy documents on public view in the website it behoves the Council to ensure that the documents can be seen to be up to date.

It will be noted that in Section 4 of the Annual Return the internal auditor has marked item F as Not Covered. This does not imply that there is anything untoward regarding the Parish Council accounts, rather this is a response required by the external auditor and in the case of Budbrooke Parish Council it means that there is no petty cash. A separate entry to the Year End Schedule G2 to that effect has been entered for the external auditor

This concludes the Internal Audit.

Signed.....  Dated... 9th May 2017
W.J.Robinson