

Internal Audit Review
For
Freckenham Parish Council

For the period 1 April 2014 to 31 March 2015

Issued to: Freckenham Parish Council
Freckenham Parish Council Clerk

Auditors: Hills Accounting Services
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Date of Report: 05 June 2015.

Signed:



Steve Hills

Internal Audit Review – Freckenham Parish Council

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Internal Audit Review – Freckenham Parish Council

1. Introduction

In accordance with the Accounts and Audit Regulations 2003, as amended Local Council's are required to 'maintain an adequate and effective system of internal audit of their accounting records and control systems.'

The purpose of this Internal audit is to review whether the systems of financial and other controls put in place by the Council are effective. The regulations require an audit to be carried out by an internal auditor who is both independent of the operations of the Council and competent to carry out the role.

2. Aims and Objectives

To carry out the annual Internal audit review of Freckenham Parish Council in accordance with the NALC guidelines.

3. Findings

The aim of this internal audit is to report to Freckenham Parish Council on the accuracy and appropriateness of the financial reporting by the Council. It is not the internal auditors' role to actively seek evidence of fraud, corruption, error or mistakes.

NALC have put forward ten subject areas which internal auditors should concentrate on.

1. Proper Book-keeping
2. Financial Regulations – standing orders
– payment controls
3. Risk Arrangements
4. Budgetary Controls
5. Income Controls
6. Petty Cash Procedures (Not applicable as Petty Cash is not used)
7. Payroll Controls
8. Asset Controls
9. Bank Reconciliations
10. Year-end Procedures

Each of these areas has been addressed by the year-end audit.

NALC have not drawn up a standard internal audit programme/checklist for parish council's as each council has varying needs. I consider that the audit programme which I have followed to be full and comprehensive and therefore adequate to cover the above ten areas.

The findings from the internal (end of year) audit review carried out for Freckenham Parish Council are as follows.

Proper Book-keeping

The Clerk to the Council maintains an adequate book-keeping system on an ongoing basis, whereby it is easy to trace transactions back to source records and through to final accounts summaries.

Financial Regulations – Standing Orders

The Council has an adequate set of Standing Orders which cover all the necessary areas, and which are updated when new requirements/regulations arise. This way the Council is able to keep abreast of new developments that occur regarding local government requirements and regulations.

Financial Regulations – Payment Controls

Standing orders require 3 tenders to be sought if expenditure is likely to exceed £5000 or requires 3 quotes if it is below £5000 but above £2000 or 3 estimates if it is below £2000 but above £500. Expenditure below £500 must on a 'best value for money' basis. In the year there were no payments at the levels requiring Tenders or Quotes to be sort, that

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were not exempt by way of their nature. There were a few transactions that fell into the 'Estimate' category and evidence that estimates had been sought before procurement was decided upon.

Risk Arrangements

The Council's operates a rolling programme of risk assessments appropriate to all activities of the council. The Playground equipment which is subject to an annual safety assessment by RoSPA.

Budgetary Control

The Clerk prepares an annual budget based on historical evidence and knowledge of up and coming plans. The budget process includes calculating the Precept for the forthcoming year.

Income Controls

All income has the correct supporting documentation, paying in books, and there is proper recording in the minutes.

Payroll Controls

The Council operates its payroll within the HMRC guidelines.

Asset Controls

The Council's assets are listed on an Asset Register which is maintained on an on-going basis, and valued annually.

Bank Reconciliations

The two bank accounts are reconciled to the cash book monthly. There were no balancing figures.

Year-end Procedures

Year-end procedures appear to be satisfactory.

4. Conclusions

It is the Internal Auditor's opinion that the Financial report of Freckenham Parish Council does not give rise to any significant areas of concern, regarding the accuracy and appropriateness of the report prepared by the Council.

5. Recommendations

There are no recommendations

INTERNAL AUDIT CHECKLIST FOR PARISH COUNCILS**FRECKENHAM PARISH COUNCIL – 2013/14**

	Yes / No	COMMENTS
1. PROPER BOOK-KEEPING		
Is the cash book kept up-to-date and balances regularly verified against a bank statement?	Yes	The cash book is kept up-to-date on an on-going basis and the bank statements received on a monthly basis
Are the cash book records supported by vouchers, invoices or receipts?	Yes	Each entry in the cash book is supported by a receipt, invoice or explanatory document.
Are the balances arithmetically correct?	Yes	
Does a councillor or other member of staff check or verify the balances?	Yes	One Councillor is appointed annually, who is responsible for 'over-seeing' the work of the RFO. The financial information is reviewed by them prior to each meeting.
2. FINANCIAL REGULATIONS – Standing Orders		
Are copies of Standing Orders, Financial Regulations and any internal instructions available?	Yes	
Inspect the documents, have they been reviewed or can any recommendations for improvement of these documents be made?	Yes	On 09/05/11 amended STO's were adopted by the Council.
Has a responsible Financial Officer been appointed?	Yes	13/05/2013 Rodney Gillington – Clerk to the Council

	Yes / No	COMMENTS
FINANCIAL REGULATIONS – Payment Controls		
Have purchase order procedures been followed		
- Are the correct No of estimates, quotes, tenders obtained?	Yes	
- Is proper purchase authorisation given?	Yes	
Has purchase payment procedures been followed		
- supporting paperwork, fully approved invoice	Yes	Each payment made by the Council has supporting invoice/receipts. Invoices are signed or initialled by a councillor as approval of the invoice. The cheque number is written on the 'paid' invoice. Returned cheques are subsequently attached to the invoice to which they relate.
- authorisation for payment granted	Yes	Each Council meeting has a section for financial transactions – in this section all payments are authorised.
- VAT identified appropriately for reclaim	Yes	VAT is listed separately in the accounts and each year is promptly reclaimed. The most recent review of these was 21/07/2014.
FINANCIAL REGULATIONS – General		
Check that the systems put in place by management are working and appropriate.	Yes	The systems put in place are outlined in the Councils Standing Orders/Financial Regulations.
Is S137 expenditure separately recorded and within statutory limits?	Yes	S137 payments are recorded separately in the cashbook
Check payments of interest and principles in respect of loans are in accordance with the agreed schedule	N/A	The Council has no loans outstanding

	Yes / No	COMMENTS
3. RISK MANAGEMENT		
Has a Risk Assessment been carried out?	Yes	Annual inspection of Playground Equipment is carried out by ROSPA. General Risk Assessment was carried out in May 2015
Has a review of the councils insurance been undertaken?	Yes	The renewal of the existing Insurance was approved on 26/09/14. Assets are added and deleted throughout the year.
Has a review of the council's systems been undertaken? (Budget setting and insurance review are annual activities while review of systems may be less frequent)	Yes	Internal audit is carried out annually, which incorporates an objective review of council's systems. Dated 16 June 2014
Have the above been noted in the minutes?	Yes	19/05/14 and 21/07/14
Check minutes for the year for any suggestion of unusual activity and evidence that risks are being identified and managed?	None found	
4. BUDGETARY CONTROLS		
Has a budget been properly prepared and adopted in setting the precept?	Yes	Draft Budget presented 17/11/14. Budget approved and Precept set at £9750 on 28/01/15. There will be an FHDC grant of £227.
Are regular reports of expenditure and variance from budget put to the Council?	Yes	26/01/2015
Are the reasons for any significant variances documented and put to the Council?	Yes	All variances were annotated with an explanation.
5. INCOME CONTROLS		
Is there evidence that the precept and grant income is properly and promptly received?	Yes	

Does the precept recorded in the cash book agree with the amount paid by the District Council?	Yes	014/15 £9250 less £340.16 compensating grant from FHDC
Has any unusual or cash-based income been accounted for?	n/a	No unusual or cash-based income has been received
Are tickets/receipts issued for all income?	Yes	
Is there segregation of duties of the cashier and the invoice-raising clerk?	No	Not possible – as only a small parish with one Clerk however, controls are in place whereby 1 councillor signs each invoice & 2 sign each cheque.
6. PETTY CASH PROCEDURE	n/a	There is no petty cash
7. PAYROLL CONTROLS		
Are there payments for wages and salaries?	Yes	Bi-annual Payment to The Clerk to the Council.
Is PAYE/NIC correctly deducted from employees' gross pay and paid to the Inland Revenue?	Yes	The payments are subject to HMRC employment tax & NIC rules and deductions paid to HMRC accordingly.
8. ASSET CONTROL		
Does the Council maintain an asset register?	Yes	
Is the asset register kept up-to-date?	Yes	
Is there evidence that the continuing existence of those assets is checked on a regular basis?	Yes	

	Yes / No	COMMENTS
Does asset insurance valuation agree with those in the asset register?	Yes	
9. BANK RECONCILIATIONS		
On receipt of a bank statement is a reconciliation of the appropriate cash book record carried out?	Yes	The Bank control account is periodically reconciled to the Bank Statement by the Clerk of the Council. The statement is date stamped and ticked once reconciled
Ensure that no 'balancing' items are used	None	
Check in detail year end balances and reconciliation	Yes	Balances reconciled to Bank Statements at 31/03/15
10. YEAR-END PROCEDURES		
Has an appropriate accounting basis been used?	Yes	Accounts have been prepared on a Receipts and Payments basis, consistent with previous years.
Can figures be followed through on working papers?	Yes	
Are adjustments, transfers, contras etc fully explained or justified?	Yes	
Check sample of figures	Yes	Checked in full
Has consideration been given to proper valuation of assets and liabilities?	Yes	
Is a system in place for identifying outstanding amounts (receivable and payable) and that transaction in one year that may relate to another are identified	Yes	The only Debtor identified is VAT Refund which is reclaimed in the first month of the new financial year. No Creditors were identified.

FRECKENHAM PARISH COUNCIL 2013/14
CHECKLIST FROM THE COUNCIL STANDING ORDERS

	COMMENTS
ACCOUNTING AND AUDITING	
Have all accounting procedures been followed and financial records prepared?	Yes
Have the annual financial statements been completed at the end of the financial year?	Yes
Has the annual return been submitted for approval and authorisation from the council?	Approved 18/05/15
BANK ACCOUNTS	
Has authorisation been given and a note in the minutes made if bank accounts have been set up or closed?	No account changes to record. Bank signatories last changed 15 October 2012 and is documented satisfactorily.
Are the bank accounts regularly reviewed for efficiency?	Transfers are made to the higher rate deposit account demonstrating good management within the accounts.
Are all bank accounts in the Council's name?	Yes
Is all income banked?	Yes
Does the Council have both a current account and a high interest account?	Yes
Do cheques have 2 councillors' signatures?	Cheque counterfoils signed by 2 signatories
Are cheques used in sequential order?	Yes
INCOME	
Is all money due to the Council collected?	Yes
Is money banked promptly after receipt and intact?	Yes
Ensured that personal cheques have not been cashed out of money held on behalf of the Council?	None
Has the Clerk promptly completed any VAT return required?	Yes
Are all charges made for premises, services, etc annually reviewed?	No charges are levied
Are all bad debts in excess of 3 months reported to the financial committee?	The Council has not incurred any bad debts
ANNUAL BUDGETS	
Has a budget been prepared, as a basis for setting the precept, no later than January?	Yes – agreed by Council 27 Jan 14 for 2014/15 £9250 and 26 January 2015 for 2015/16 £9750
Are all Council members supplied with a copy?	Yes

	COMMENTS
Has actual expenditure been compared against the budget?	A statement of significant variances has been produced.
Are amendments made to the budget if additional expenditure is envisaged?	No additional expenditure was envisaged
EXPENDITURE	
Has the full Council given prior agreement for expenditure?	Yes
PAYMENT OF ACCOUNTS	
Is a list of 'verified' invoices prepared for approval at the next Council meeting?	Yes
Is all expenditure accompanied by invoices, orders, letters, etc	Yes
Has at least one of the cheque signatories initialled the invoice to cross confirm it agrees with the cheque details?	All invoices are presented with cheques to signatories. All invoices were initialled,
Is the cheque number added to the 'paid' copy invoice?	Yes
Have all payments been made by cheque?	Yes
ORDERS	
Are all orders for goods confirmed in writing on Council headed paper or on order forms and retained?	No order documentation was provided.
Has value for money been obtained by acquiring 3 tenders where expenditure is likely exceed £5000, and 3 quotes where it is expected to be above £1000/£2000 and less than £5000 and 3 estimates between £500 and £2000 ?	Yes
STAFF PAYMENTS	
Has the Council annually reviewed staff payments?	Yes
Are all salary levels and adjustments approved by Council and minuted prior to implementation?	Yes
Are tax and NI liabilities met?	Yes
TENDERS	
For expenditure that is likely to exceed £5000 were 3 tenders sort?	Yes
Was the invitation to tender in writing with a specification and returned in 'sealed tender' envelopes?	N/A
Are sealed tenders only opened before a relevant committee/or full council on the date agreed?	N/A

	COMMENTS
INSURANCE AND RISK ASSESSMENT	
Is adequate insurance obtained including cover for property, third party liability, fidelity guarantee, employer's liability, etc?	Yes
Has an annual risk assessment been prepared and undertaken?	Yes – May 2015.
Has adequate insurance been obtained taking into account the risk assessment?	N/A
Does the RFO notify the Council of new risks that arise?	Yes
Is the level of cover reported annually to full Council for approval?	Yes
Does the RFO process all claims and inform the Council?	No claims
ASSET REGISTER	
Is an asset register maintained and reviewed annually by Council?	Yes
STANDING ORDERS	
Has the Council reviewed the Financial Regulations of the Council from time to time?	The Council has adopted the NALC model financial regulations – minuted 28/01/03. The most recent update was released in March 2013 and amendments agreed 21/07/14 and 17/11/14
Are declarations of interest made and relevant procedures followed?	Yes
LOANS AND INVESTMENTS	
Are all loans in the Councils name and for a set period?	The Council has no loans outstanding
Are investment certificates provided?	The Council has no investments other than money held in two bank accounts. All bank statements have been provided.

Section 4 – Annual internal audit report 2014/15 to

ENTER LOCAL COUNCIL NAME HERE Council/Meeting

The council's internal audit, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31 March 2015.

Internal audit has been carried out in accordance with the council's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the council.

Internal control objective	Agreed? Please choose only one of the following		
	Yes	No*	Not covered**
A Appropriate accounting records have been kept properly throughout the year.	✓		
B The council's financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C The council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.			✓
G Salaries to employees and allowances to members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.	✓		
H Asset and investments registers were complete and accurate and properly maintained.	✓		
I Periodic and year-end bank account reconciliations were properly carried out.	✓		
J Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, were supported by an adequate audit trail from underlying records, and where appropriate debtors and creditors were properly recorded.	✓		
K Trust funds (including charitable) The council met its responsibilities as a trustee.	Yes	No	Not applicable
			✓

For any other risk areas identified by the council (list any other risk areas below or on separate sheets if needed) adequate controls existed:

Name of person who carried out the internal audit Steve Hills

Signature of person who carried out the internal audit [Signature] Date 05/06/2015

If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

****Note:** If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, internal audit must explain why not (add separate sheets if needed).