

South and West Internal Audit

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"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

May 1, 2016

Modbury Parish Council Internal Audit Report 2015-16

Testing was carried out using sampling and covering a range of financial, risk and governance assessed as appropriate for a council of this size and complexity.

The findings are reported below:

✓ **Governance and Control**

All councils of whatever size are required to annually prepare and consider:

- a general and financial risk assessment covering the council's activities
- a statement of internal control
- annually review any charges for services whether or not they are increased and record this in minutes.

Councils over £25,000 are recommended but not required to disclose information in accordance with the Local Government Transparency Code 2014 which is more onerous.

- Website disclosure above this level is not mandatory but the case for openness in public activities is strong and therefore reaching the basic level of disclosure will be encouraged on an ongoing basis.

Councils should have in place and periodically review:

- a policy relating to anti-fraud and corruption (an example policy is available please ask)
- standing orders for the conduct of council meetings are required by law and should be periodically review and changed to reflect current legislation
- financial regulations for the control of its financial administration are required and should be periodically reviewed for either changes in legislation or internal control procedure changes.
- Any Council moving away from 2 cheque signatories by Councillors must have addressed the expectations in Appendix 10 of Governance and Accountability and have put in place arrangements for the annual review of wider definition "money" covered in Appendix 10 (A template for this is available please ask)

Satisfactory.

✓ **Precept, Budgets and Reserves**

The precept was agreed to the minute setting the precept, the principal authority tax collecting authority records. The receipt was traced and agreed to bank and cash book records. The

precept was set after consideration of a budget and consideration of an appropriate level of free reserves (the General Fund) which is generally accepted should lie between 3 and 12 months' expenditure.

Satisfactory. No issues.

✓ **Other Receipt or Income**

A sample of other receipts was tested to ensure that, as appropriate:

- That grants and interest were correctly recorded in the cash book and agreed to bank statement
- Chargeable services were correctly and promptly charged to the beneficiaries of those services and that arrangements were in place to pursue late payment

Satisfactory. No issues

✓ **Staff Cost and Members Allowances**

Sample testing was carried out as appropriate to ensure that:

Staff

- Rates of pay were as approved by Council
- Additional hours worked were approved and supported by time records
- Employees are paid in accordance with contractual obligations and on the correct pay date
- Employees have a written statement of principal terms and conditions
- That PAYE and NI are operated and paid promptly
- That pension contributions are correctly recorded and passed to the pension fund in a timely manner

Members Allowances

- PAYE is operated for all members' allowances including any round sum amount paid as a Chairman's/Mayor's allowance

Satisfactory. No issues.

✓ **Payments including Bank and Petty Cash**

A sample of payments was tested as appropriate to confirm:

- All payments are made in accordance with financial regulations
- All payments are supported by invoice, receipt, expense claim, petty cash voucher or other appropriate documentation
- All grant payments are subject to a proof of need assessment and are required to be evidenced as spent for the approved purpose and unless having the general power of competence are made within permitted powers.
- Cheque payments are promptly cleared

Satisfactory. No issues.

✓ **Insurance**

Insurance cover was reviewed as appropriate to confirm

- Adequate Fidelity Guarantee cover in place
- Range of cover in place has been reviewed at renewal and this has been recorded in the council minutes
- That assets other than land that appear on the Fixed Asset Register are insured or if not that there has been a decision not to cover them (for example because the excess is greater than the asset value insured).

Satisfactory. No issues.

➤ **Fixed Assets**

Tests were carried to confirm as appropriate

- fixed asset register is up to date
- additions have been approved, correctly identified and a system exists for the identification of fixed assets
- that the disposal by scrapping, selling or part exchange of assets has been approved by council
- that where an insurance value has been used as the cost of an asset was unknown that the value is not increased as the insured value increases

You asked for advice. The fixed asset register should be compiled for the whole Council including MARS and for the current year should be at cost as per the external auditor's note. There are changes to what is possible next year although exactly what is not yet clarified in the Governance and Accountability 2016 section 5 which has yet to be published and will be examples and not "proper practice"

✓ **Bank**

The year end bank reconciliations were re-performed and consolidated. There appear to be compensating errors of £200.49 arising between MARS and Council accounts probably to do with a transfer between the two accounts maybe VAT adjustment that is effectively a transfer.

Satisfactory No issues.

This was what I expected the annual return totals to be excluding Fixed Assets which you are re constructing.

Parish =
District =
Year = 200

Modbury PC

	2016		Adjusts	Var	Var%	Notes
	Last Year	This Year				
1. B/Fwd	38496	44322	Agreed	5826	15.13%	
2. Precept	28000	28500	Agreed	2500	9.62%	
3. Other Receipts	45342	33928	Tested	-11414	-25.17%	
4. Staff Costs	11718	9761	Tested	-1957	-16.70%	
5. Loans	0	0	Agreed	0	#DIV/0!	
6. Other Payments	53798	45550		-8248	-15.33%	
7. C/fwd	44322	51439	Agreed	7117	16.06%	
8. Cash and Investments	44322	51439	Agreed	7117	16.06%	
9. Fixed Assets	455666	?	Agreed	#VALUE!	#VALUE!	
10. Total Borrowing	0	0	Agreed	0	#DIV/0!	Payments

No
No

Parish **Modbury PC**
 District = **0**
 Year end date = **31-Mar 2016**

Bank accounts				Cash Book	
	13708.33	b		b/fwd	44322.01 +
	2.02	b		Receipts	62429.14 +
	39619.17	b		Payments	55311.28 --
	402.34			C/fwd	51439.87 =
Petty Cash					
	53731.86				
Lodgements o/s	105.00			Agreed if =o	0.00

0.00 b=agreed to statement

Cheques o/s								
	1060	14.30						
	1062	73.91						
	1063	34.50						
	1064	21.45						
	1065	14.30	13551.89				-200.49	
		2238.53	37485.64				200.49	
				402.34	37887.98			
balance =		51439.87						

↙ Mass.
 ↙ Council-