

INTERNAL AUDIT REPORT

TO

**DICKENS HEATH
PARISH COUNCIL**

FOR THE FINANCIAL YEAR

2015 - 2016

Prepared by: Bill Robinson

Issued April 2016

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Statement of Responsibility

The audit work I have undertaken was carried out based upon the Internal Audit Scope agreed with Dickens Heath Parish Council

This report has been prepared solely for Dickens Heath 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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Dickens Heath Parish Council Internal Audit

The Internal audit was undertaken on the 27th April 2016 in the Dickens Heath parish office.

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
- All receipts for Dickens Heath parish Council accounts, were banked in a timely manner
- Bank reconciliation – this was checked and found to be correct on a monthly basis.
- In addition an audit trail of the following cheques was carried out

For year 1st April 2014 to 31st March 2015

Date	Cheque Number	Minute Ref.	Payee	Amount
21/04/15	D.Debit	196(14-15)	PWLB	£5625.11
21/04/15	100609	196 (14-15)	Phoenix Beard	£702.14
21/04/15	100618	196 (14-15)	H.Marczak	£78.41
21/05/15	D.Debit	21(15-16)	NPower	£213.32
21/05/15	100623	21(15-16)	SMBC	£3361.00
21/05/15	100631	21(15-16)	Creaseline	£70.00
16/06/15	100636	45(15-16)	Phoenix Beard	£702.14
16/06/15	100645	45(15-16)	R.Codmore	£6.99
21/07/15	100648	76(15-16)	S.Gussin	£266.32
21/07/17	100656	76(15-16)	P.Brandon	£70.00
21/07/15	100666	76(15-16)	H.Marczak	£106.78
27/08/15	100673	95(15-16)	Salter St.& Shirley	£250.00
27/08/15	100683	95(15-16)	H.Rathby Allen	£379.03
15/09/15	100689	111(15-16)	Plantscape	£4367.33
15/09/15	100700	111(15-16)	HMRC	£57.60

Date	Cheque Number	Minute Ref.	Payee	Amount
20/10/15	100708	130(15-16)	SMBC	£9193.97
20/10/15	100718	130(15-16)	T.Eames	£38.48
23/10/15	100727	130(15-16)	H.Marczak	£127.51
17/11/15	100731	159((15-16)	Orton media.	£209.00
17/11/15	100745	159(15-16)	M.Holloway	£38.48
15/12/15	100753	179(15-16)	R.Cudmore	£75.99
15/12/15	100763	179(15-16)	D.Wright.	£38.48
19/01/16	100772	196(15-16)	S.Morris	£180.00
19/01/16	100783	196(15-16)	Creaseline	£70.00
16/02/16	D.Debit	225(15-16)	PWLB	£2570.12
16/02/16	100792	225(15-16)	Curasol Ltd.	£408.00
16/02/16	100801	225(15-16)	D.Potter	£38.48
15/03/16	100808	248(15-16)	SMBC	£1319.84
15/03/16	100818	248(15-16)	M.Holloway	£38.28

All cheques were found to be matched to the individual invoice and minute reference..
All cheque audit trails were satisfactory.

It was noted that all monthly bank reconciliations were prepared and presented to the Parish Council for review.

PWLB

It was noted that the PWLB was properly repaid on a monthly basis and formally minuted.

Year End Accounts

The year end accounts for the financial year 2015 -2016 were checked and were found to be arithmetically correct and in agreement with the financial records shown by the Clerk. These accounts were properly reconciled to the bank statements.

The annual return for the financial year 2015 – 2016 was completed by the Clerk and Section 4 of the annual year end form to be sent to the external Auditor was signed by the internal auditor.

It was noted that the yearend financial statements for the year 2015-16 were approved on 19th April 2016 and will be minuted in the minutes of that meeting.

Receipts and payments book

This was checked and found to be arithmetically correct.

Income Control

It was noted that receipts were banked promptly, and the paying in book satisfactorily checked against the cash book.

All VAT repayments have been promptly made and are in the process of being reclaimed from HMRC.

Budget Controls

It was noted that the draft budget for the financial year 2015 – 2016 was properly made and recorded
It was noted that the draft discussions for the budget in the 2016-17 year was commenced and recorded in minute 130 (15-16)

It was noted that a monthly receipts and payments register is given to the Parish Council together with a surplus for the year projection

It was noted in minute 16(15-16) that all Councillors are cheque signatories

It was noted in minute 138(15-16) that a 5 year plan has been produced to assist budget setting, the Parish Council is to be commended in this regard

It was noted in minute 196(15-16) that the Parish Council formally reduced the precept by 6%.

Petty Cash

It was noted that there is not a petty cash element within Dickens Heath Parish Council accounts, and this fact will be reported on a separate letter to the external auditor Grant Thornton.

Financial Regulations

It was noted in minute 17(15-16) that the financial regulations will be reviewed at the June meeting, this was properly recorded in the minutes of that meeting.

It was noted in regulation 4.4 that the Clerk can spend up to £500 in an emergency, the Council should consider whether this expenditure limit is adequate.

It would be in the Parish Councils interest to look at the latest model set of financial regulations which takes account of electronic banking arrangements for Councils

Standing Orders

It was noted in minute 17(15-16) that the standing orders will be reviewed at the June meeting, and this was recorded in the minutes of that meeting.

It was noted in minute 228(15-16) that a further amendment to the standing orders be made.

This amendment was adopted at the June meeting and confirmed in the minutes of that meeting.

Asset Register

Dickens Heath Parish Council has an asset register which has been seen and the total sum of the assets matches the figure on the year end statement

Minutes of the Parish Council meetings

All minutes were checked, and found to be satisfactory and properly signed, with no evidence of any unusual activity.

It was noted in minute 15(15-16) that Councillors appointed to outside bodies were formally confirmed, this is good practice and the Council is to be commended.

It was noted in minute 23(15-16) that all Council decisions will be formalised and votes recorded.

It was noted in minute 147(15-16) that an email procedure has been agreed, the Parish Council should be aware that all voting is by those present at the meeting (beware of giving the impression of voting by email)

Insurance

It was noted that the Parish Council insurance covers all liabilities.

The Parish Council should consider whether £25000 libel and slander insurance is adequate, and whether the dishonesty policy limit of £250000 is excessive. These figures may be standard for the policy but the Parish Council needs to be aware of that and make its own judgement on the level required.

Internal Audit Review

It was noted that Dickens Heath Parish Council formally discussed the 2014-2015 internal auditor's report and approved it. This was formally minuted in minute 51(15-16).

Payroll

It was seen that employment and tax records for the council staff during the year 2015-2016 were dealt with by Solihull Metropolitan Borough Council (SMBC) and sent to HMRC as appropriate. It has been noted that SMBC will no longer provide that service and that D.Malley will from now deal with all employment and tax records for council staff

Risk assessment

It was noted that the Parish Council has formally reviewed the risk assessment document for the year 2015 -2016 and it is satisfactory.

It was noted that Gloria Macken undertakes a risk assessment for the use Dickens Heath Parish rooms, and the record of assessments held by the Clerk. This is good practice and should be continued

It is still unclear that the Parish Council has considered the Lone Working Directive with regard to the employment of the Clerk and the fact that she is often alone within the building. It may be in the interest of the Parish Council to put in place a policy to track the Clerk after leaving the building prior to returning home, especially during the darker months.

It was noted that R.Cudmore spent £6.99 on weed killer that the Council reimbursed (cheque number 100645), presumably in order to spray some weeds on behalf of the Council. Weed killer is a noxious substance and the Parish Council therefore should satisfy itself that the substance is used and stored in an appropriate manner, and that it conforms to all UK and European Union legislation, and it should be added either to a separate health and safety register or the existing risk assessment.

Sec.137 Payments

It has been noted that the Parish Council now has the General Power of Competence, therefore Sec.137 is not applicable.

General Power of Competence

It was noted in minute 80(15-16) that the Parish Council meets the criteria required for acceptance of the GPC and properly took them power for itself and recorded the fact.

Grants Policy

It was noted in minute 56(15-16) that the grants policy is being amended. It would be in the Council's interest to consider a cut off point for the acceptance of grant applications (e.g. September 2016 for inclusion in the 2017-18 budget discussions) in order to budget for the following year more accurately.

Grievance Procedure

It would be in the Council's interest to formulate a grievance procedure (there are model procedures available). The Council could well be at risk if an employee took a grievance to an employment tribunal and the Council could not show that it had followed a dedicated procedure. For example in financial regulations 1.7 it states that a breach of the regulations is gross misconduct, without a formal grievance procedure it is unclear how the Council could enforce this.

Conclusion

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

Where I have commented on future actions, these are not criticisms, rather only for Dickens Heath Parish Council to consider, although the Council should look at the grievance procedure issue seriously.

It will be noted that in Section 4 of the Annual Return the internal auditor marked items F and K as Not Covered and Not Applicable. 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 Dickens Heath Parish Council it means that the Parish Council does not operate a petty cash scheme neither is it a Trustee or hold trust funds. A separate letter to that effect is enclosed for the external auditor.

This concludes the Internal Audit.

Signed.....  Dated... 27th April 2016