

**BRADWELL JUXTA COGGESHALL WITH  
PATTISWICK  
PARISH COUNCIL**

**REPORT ON  
INTERNAL AUDIT FOR 2015/16**

**N Powell Davies ACMA CGMA**

**Internal Auditor**

**June 2016**

## INTRODUCTION

I have now carried out an internal audit of the Parish Council's financial affairs for 2015/16 from the records and documents provided. The requirements of Section 4 of the Annual Return, together with the proper practices set out in the 'Governance and Accountability of Local Councils a Practitioner's Guide' were used as the basis of my review.

I would like to thank Mrs Christine Marshall, Clerk and Responsible Finance Officer at the end of the year for her assistance.

This has been a transition year for the Council. The elections in May 2015 effectively led to a complete turnover of councillors and Mrs Marshall took over as Clerk in September 2015. Unfortunately, there were some difficulties in the transfer of documents and records from the previous Clerk, especially around the bank account which have caused problems for the remainder of the year.

## FINDINGS

From the work carried out there are a number of findings that should be considered by the Council. The most significant are highlighted below with more details in the Appendix.

1. Since taking office the new Council has undertaken a programme of rigorous review of its policies and procedures including agreeing revised Standing Orders based on the NALC model at its meeting in February 2016.
2. When she took over the current Responsible Finance Officer was not passed any cash book for the year to date. She had to reconstruct the accounts from the beginning of the year. An excel spreadsheet is used. There were also difficulties in reconciling to the brought forward figure from the bank statement.
3. Year end accounts have been prepared on a receipts and payments basis which is appropriate for a council of this size. I was able to reconcile these to the bank statements and cash book and there was an adequate audit trail despite the difficulties from the handover.
4. There were some discrepancies in accounting for VAT.
5. There is no record of the Council formally assessing the significant risks that it faces in achieving its objectives during the year. A very brief Risk Assessment was prepared in April 2016.
6. A proposed budget for 2016/17 was considered by the Council at its meetings in November, December and January. The precept was set in the light of this at their January meeting. Reports showing actual payments against budgets were presented to the Council at its monthly meetings.

7. General reserves at the beginning of the year were over £18,000 which the new Council felt was rather high. By the end of the year they had fallen to just over £16,000 which was still felt to be too high. The budget for next year is expected draw on these reserves further.
8. There are queries over the ownership of some of the assets included in the Council's register.

#### RECOMMENDATIONS

With reference to the above findings I recommend that the Council agree actions to address the following issues:-

1. The recording of VAT in the cash book should be improved.
2. The Risk Assessment should be extended to cover a broader range of risks.
3. The Council could consider earmarking some of their reserves for specific projects, such as additional equipment for the playing field, thus reducing the level of their general reserves.
4. The ownership of the bins for dog waste should be confirmed and the asset register amended if necessary. The date of acquisition should be added to the asset register for new purchases

#### OPINION

The Council and Mrs Marshall are to be congratulated on the energetic way in which they have approached their tasks. Despite various difficulties the financial arrangements of the Council are again on a sound basis and I am confident that they will continue to improve.

*N Powell Davies*

N Powell Davies, BSc, ACMA, CGMA

7<sup>th</sup> June 2016

## BRADWELL WITH PATTISWICK PARISH COUNCIL – DETAILED FINDINGS 2015/16

Expectation	Findings	Recommendations
A Appropriate accounting records have been kept properly throughout the year.	<ul style="list-style-type: none"> <li>• When she took over in September 2015 the current Responsible Finance Officer was not passed any cash book for the year to date. She had to reconstruct the accounts from the beginning of the year from bank statements and incomplete records. An excel spreadsheet is used which is quite appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>• The accounting records should now continue to be maintained throughout the year.</li> </ul>
B The council's financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	<ul style="list-style-type: none"> <li>• At the annual meeting in May 2015 most of the policies of the Council were adopted en bloc with apparently little scrutiny. Since then the new Council have undertaken a programme of thorough review of their policies and statements. An Expenses Policy was agreed in November 2015 and Communications and Complaints Policies in December 2015. In January 2016 a Co-option Policy was adopted. Revised Standing Orders based on the NALC model were adopted in February 2016 as were policies on meeting Freedom of Information Act requirements and Data Protection. Policies on Retention of Documents &amp; Records and Grant Making were agreed in March 2016 together with a Code of Conduct.</li> <li>• Payments were supported by invoices and approved by Council.</li> <li>• There were some discrepancies in accounting for VAT, eg VAT reclaimed from HMRC which has not been identified in the accounts.</li> </ul>	<ul style="list-style-type: none"> <li>• The recording of VAT in the cash book should be improved.</li> </ul>

Expectation	Findings	Recommendations
<p>C The council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</p>	<ul style="list-style-type: none"> <li>• There is no record of the Council formally assessing the significant risks that it faces in achieving its objectives during the year. A brief Risk Assessment was prepared in April 2016 but this does not cover such risks as a meeting being inquorate.</li> </ul>	<ul style="list-style-type: none"> <li>• The Risk Assessment should be extended to cover a broader range of risks.</li> </ul>
<p>D The annual precept requirement resulted from an adequate budgetary process; progress against budget was regularly monitored; and reserves were appropriate.</p>	<ul style="list-style-type: none"> <li>• A proposed budget for 2016/17 was considered by the Council at its meetings in November, December and January. The precept was set in the light of this at their January meeting.</li> <li>• Reports showing actual payments against budgets were presented to the Council at its monthly meetings.</li> <li>• General reserves at the beginning of the year were over £18,000 which the new Council felt was rather high. By the end of the year they had fallen to just over £16,000 which was still felt to be too high. The budget for next year is expected draw on these reserves further.</li> </ul>	<ul style="list-style-type: none"> <li>• The Council could consider earmarking some of their reserves for specific projects, such as additional equipment for the playing field, thus reducing the level of their general reserves.</li> </ul>
<p>E Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.</p>	<ul style="list-style-type: none"> <li>• Expected income was fully received. No VAT is receivable on any income.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed that expectation met with.</li> </ul>

Expectation	Findings	Recommendations
F Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	<ul style="list-style-type: none"> <li>A petty cash account is not maintained, minor expenses being claimed on a monthly basis and paid by cheque.</li> </ul>	<ul style="list-style-type: none"> <li>Agreed that expectation met with.</li> </ul>
G Salaries to employees and allowances to members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.	<ul style="list-style-type: none"> <li>No details of the previous Clerk's terms of employment were available for me to see but all payments were approved by the Council and appear to be appropriate.</li> <li>For the new Clerk, payments have been made in accordance with the terms and conditions of her employment and PAYE and NI requirements have been properly applied.</li> <li>The services of a payroll bureau were used throughout the year.</li> </ul>	<ul style="list-style-type: none"> <li>Agreed that expectation met with.</li> </ul>
H Asset and investments registers were complete and accurate and properly maintained.	<ul style="list-style-type: none"> <li>The asset register includes a number of bins for dog waste which are probably the property of Braintree District Council.</li> <li>Currently the asset register does not record the date of acquisition of individual items.</li> </ul>	<ul style="list-style-type: none"> <li>The ownership of the bins for dog waste should be confirmed and the asset register amended if necessary.</li> <li>The date of acquisition should be added to the asset register for new purchases.</li> </ul>
I Periodic and year end bank account reconciliations were properly carried out.	<ul style="list-style-type: none"> <li>Unfortunately, when taking over the accounts, the RFO was unable to reconcile to the carried forward figure so the monthly reconciliations were on the wrong basis. This was rectified at the year end.</li> </ul>	<ul style="list-style-type: none"> <li>Now that the accounts are on a more secure basis the RFO should continue to reconcile them to the bank statements each month.</li> </ul>

Expectation	Findings	Recommendations
<p>J Accounting statements prepared during the year were prepared on the correct accounting basis, agreed to the cash book and were supported by an adequate audit trail from underlying records.</p>	<ul style="list-style-type: none"> <li>• Accounting statements are prepared on the cash accounting basis which is appropriate for a council of this size. They agreed to the cash book and there was an adequate audit trail despite the difficulties from the handover.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed that expectation met with.</li> </ul>