



Hardcastle Burton LLP

Barley Parish Council Internal Audit Report Year Ended 31 March 2018

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To the management of Barley Parish Council

The purpose of this report is to highlight the work undertaken during our internal audit for the year ended 31 March 2018. It is also used as a report to the management to meet the criteria detailed in "Governance and Accountability in Local Councils in England - A Practitioners Guide"

We would be grateful if you would review this document and reply with any comments you have regarding the points raised.

Finally, we would like to express our thanks to all members of the council's staff who assisted us in carrying out our work.

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<u>Internal Control Objective</u>	<u>Work Undertaken</u>	<u>Satisfactory</u>	<u>Recommendation</u>	<u>Response</u>
Appropriate accounting records have been kept properly throughout the year.	The cashbook, schedule of receipts and expenditure were reviewed for the year and no errors were identified. The bank reconciliation was agreed and a sample of entries from the cashbook were traced back to invoices/receipts (see below).	Y	No recommendations made as current accounting system is deemed sufficient.	
The council's financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	A sample of payments were selected from the cashbook and traced back to original documentation. The castings, VAT calculations and cashbook analysis were verified to ensure payments have been correctly recorded. Small errors were identified within the VAT reclaim. This included items in cashbook not claimed for on the Return, and items on the Return and not entered in the cashbook.	y	The current accounting system is deemed sufficient. All items traced to source documentation and calculations agreed as correct. It is recommended that client files quarterly VAT Returns. This would reconcile the VAT on a quarterly basis and avoid undetected errors.	
The council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	A copy of the risk assessment was obtained from the council which was revised in March 2018. This was reviewed and considered to be appropriate.	Y	Current risk assessment is detailed and in line with our expectation for a council of this size. It was noted that a review of data protection is required and we suggest this is undertaken as soon as possible although it has been identified as low risk.	
The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	Evidence of the annual precept budget was viewed and considered adequate. No evidence of regular reviews against the budget identified although the budget for precept is largely based on expenses from the previous year and these expenses have not fluctuated in recent years. Reserves have now reduced following the purchase of new playground equipment.	y	Budget process in line with the guidance published in "Governance and Accountability for Local Council's". We recommend that as part of the finance review, the income and expenses are compared to the precept budget and any significant variances are commented and considered for the following years budget.	
Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	A sample of receipts were selected and traced from source records back to the client cashbook. The cashbook analysis, VAT calculation and casting were verified to ensure income was correctly recorded.	Y	No recommendations made as current accounting system is deemed sufficient. However it would be beneficial for invoices to be raised to support income such as that from allotments.	

<u>Internal Control Objective</u>	<u>Work Undertaken</u>	<u>Satisfactory</u>	<u>Recommendation</u>	<u>Response</u>
Petty cash payments were properly supported by receipts and, all petty cash expenditure was approved and VAT appropriately accounted for.	No work performed as petty cash balance not maintained. All income is banked through the bank account.	Y	No recommendation made.	
Salaries to employees and allowances to members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.	Payroll administered by an independent bureau which reduces risk of errors. Payroll reports obtained for year and compared to payments made out of bank.	Y	Reimbursed costs now analysed separately in the cash book. No recommendations made as current accounting system is deemed sufficient.	
Asset and investment registers were complete and accurate and adequately maintained.	Asset register obtained and compared to previous year. Insurance values compared to book values. Sum insured has increased following acquisition of new playground equipment.	Y	No recommendations made as current accounting system is deemed sufficient.	
Periodic and year end bank reconciliations were properly carried out.	Spreadsheets were reviewed which show a running bank balance. Evidence of bank position seen from meeting minutes and check of year end bank reconciliation confirmed there are no issues.	Y	No recommendations made as current accounting system is deemed sufficient.	
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 correctly recorded.	Accounting statements reviewed along with variance analysis and both deemed sufficient for recording transactions and reviewing performance. Accounts prepared on correct basis and cashbook scrutinised as part of receipts and payments testing (see above).	Y	No recommendations made as current accounting system is considered sufficient.	



Conclusion

Our internal audit of Barley Parish Council indicates that sufficient controls are in place. Our work did however identify some minor issues which we have summarised below:-

- 1 As part of the financial review, council members should compare income and expenditure to the original budget and consider the reason for any significant variances. We note that this is undertaken annually at the end of the financial period.
- 2 We recommend that invoices are created to support every individual receipt. For a number of years now we have not always had written proof for all donations and allotment income.
- 3 Our checks indicated some small VAT errors and we recommend that VAT returns are submitted on a more timely basis in future and agreed to the underlying records to ensure all VAT is correctly accounted for.
- 4 The risk assessment suggests that a review of data protection is required as there is no formal procedure in place. This has been identified as low risk but a review should be undertaken and a policy adopted as soon as possible.