

COLEFORD TOWN COUNCIL.
Internal auditors report for the year ended 31 March 2016
Date of appointment of Internal Auditor: 15 April 2009
Date of Internal Audit: 10 & 12 May, 29 June 2016

1. Bookkeeping

Ref	Test	Meets requirements	Internal auditors comments	Tracker
1.1	Were books made up to date?	✓		
1.2	Is cash book arithmetic correct? (If excel - check formulae)	✓		
1.3	Is the cash book regularly balanced?	✓		
1.4	Is there evidence of regular in-house checks by members (signed and minuted)?	No	Again this year there has only been one occasion when members have undertaken in-house checks. In my view, and as suggested in my report last year, these should be undertaken at least every 3 months and more frequently should Council decide. (See 3.1 below)	Automatic reminders to be sent Additional auditor appointed

2. Day to day transactions

Ref	Test	Meets requirements	Internal auditors comments	
2.1	Have Standing Orders been formally adopted?	✓		
2.2	Have Standing Orders been reviewed and minuted?	✓		
2.3	Have Financial Regulations been tailored to council and formally adopted?	✓		

2.4	Have Financial regulations been reviewed and minuted?	✓		
2.5	Sample review of payments	✓	1 cheque book stubs not available. The General Power of Competence ¹ has not been gained by the Council thus that power cannot be used to authorise payments made in respect of the Neighbourhood Development Plan (e.g. cheque no 300831 for £675 to GRCC, and others). Localism Act 2011 is more appropriate.	Search to be undertaken
2.6	Have items / services above the de minimus amount been competitively purchased in accordance with Financial Regulations?	✓		
2.7	Has the General Power of Competence been adopted? If "yes", evidence seen?	No		
2.8	If 2.7 = "no", separate account for s.137 payments?	✓		
2.9	If 2.7 = "no", s.137 spend limit for year identified?	✓	It is recommended that the limit of expenditure under LGA 1972 s.137 be noted in the financial records to ensure it is not exceeded.	To be added into annual budget
2.10	Loans – interest / principle payable	N/A		

¹ The GPC is available to councils who "have an electoral mandate and whose Clerk has attained the necessary qualification. (Parish Councils (General Power of Competence)(Prescribed Conditions) Order 2012/965).

2.11	Loans – interest / principle receivable.	N/A		
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3. Risk management

Ref	Test	Meets requirements	Internal auditors comments	
3.1	Evidence that council maintains an adequate & effective system of internal control, including risk management and that it is reviewed by full council annually?	No	There was a review of risk management by full council which was minuted; however in view of my observations under 1.4 above and 7.3 below it cannot be said that there was an “adequate & effective system of internal control”.	Steps taken to expand risk assessment Risk assessment completed
3.2	Copy of Risk Assessment policy / statement seen?	✓		
3.3	Minutes checked for unusual activity & evidence that risks are being identified and managed	✓		
3.4	Minutes initialled, each page identified and overall signed	✓		
3.5	Insurance – in place, and adequate and appropriate? See also 8.3	✓		
3.6	Insurance – evidence of review of cover	✓	I received a verbal assurance that this had been undertaken, however the minute is not sufficiently specific as it refers only to a view on the premium.	The minute will be clearer if future
3.7	Evidence that assets have been inspected for risk	✓		
3.8	Review of investments, including bank accounts	✓		

4. Budgetary controls

Ref	Test	Meets requirements	Internal auditors comments	
4.1	Was a budget adopted?	✓		
4.2	Was a copy of the budget attached to the minute adopting it?	✓		
4.3	Was a contingency included in the budget?	✓	No specific figure for contingency, but adequate free reserves to cover.	To be reviewed at budget setting
4.4	Were the objectives of the reserves identified?	✓		
4.5	Were the balances at the close of the year projected? How many months spend does the free reserve represent?	✓ Approx 4		
4.6	Did the council regularly compare the actual income and expenditure to the budget?	✓		
4.7	Are there any significant unexplained variances from budget?	✓ There were none		

5. Income controls

Ref	Test	Meets requirements	Internal auditors comments	
5.1	Was the precept demand properly minuted?	✓		
5.2	Was the precept received?	✓		
5.3	Were all anticipated grants received?	✓		
5.4	Were all anticipated rents received?	✓		
5.5	Was all anticipated	✓		

	investment income received?			
5.6	Is income properly recorded and promptly banked?	✓		
5.7	Are security controls over cash adequate and effective?	✓		

6. Petty cash

Ref	Test	Meets requirements	Internal auditors comments	
6.1	Was cash float sufficient and regularly replenished?	✓		
6.2	Was the cash float physically counted by a member?	✓	Yes, but see 1.4.	Will be resolved by in house audit changes
6.3	Was expenditure approved?	✓		
6.4	Is all expenditure supported by VAT invoices / receipts?	✓		
6.5	If credit / debit / prepaid cards in use, proper procedures in place?	N/A		

7. Payroll

Ref	Test	Meets requirements	Internal auditors comments	
7.1	Do all staff have a contract of employment?	✓		
7.2	Are contracts regularly reviewed?	✓		
7.3	Do salaries paid agree with those approved by Council?	No	On occasions both members of staff had been paid the wrong amount.	This has been resolved
7.4	Are other payments to employees reasonable and approved by Council?	✓		

7.5	Has the Council registered as an employer with HMRC and have PAYE / NIC been properly dealt with (including year-end procedures)?	✓ Payroll agency employed		
7.6	Minimum wage paid?	✓		
7.7	Are Councillor's allowances and expenses properly authorised & controlled and reported to HMRC if required?	✓		

8. Assets control

Ref	Test	Meets requirements	Internal auditors comments	
8.1	Asset register seen and up to date?	✓		
8.2	Basis of valuations	✓		
8.3	Comparison with insurance schedule	✓		
8.4	Assets inspected for risk and dated	✓	I am advised that inspections are undertaken by third parties who maintain the records of such inspections. It is the Council which is ultimately responsible and so should receive copies of these inspections reports.	Copies of paper trail to be requested

9. Bank reconciliation during the year

Ref	Test	Meets requirements	Internal auditors comments	
9.1	Evidence of completion for each account on regular basis?	✓	Reports should be signed by the RFO and reviewer	RFO to sign in future
9.2	Any unexplained balancing entries in any reconciliation?	✓ There were none		

10. Year-end procedures

Ref	Test	Meets requirements	Internal auditors comments	
10.1	Cash book additions: - (a) tested by Councillor? - (b) tested by Internal Auditor?	✓ ✓		
10.2	Bank reconciliation: - (a) Original bank statement(s) seen? - (b) RFO's reconciliation?	✓ ✓		
10.3	Where appropriate, debtors and creditors properly recorded?	✓		
10.4	Accounting Statement prepared on proper basis: - tested by Councillor? - tested by internal Auditor	✓ ✓		
10.5	Council as a whole to approve by resolution the Annual Governance Statement (section 1 of the Annual Return)	✓		
10.6	Council as a whole to approve by resolution the Accounting Statement (section 2 of the Annual Return) no later than 30 June.	✓		

11. Other matters

Ref	Test	Meets requirements	Internal auditors comments	
11.1	VAT - recorded and paid / reclaimed properly?	✓		
11.2	Code of Conduct adopted by resolution of full council?	✓	The Code of Conduct which was adopted and then reviewed during the year is not the same as that posted on the Council's web-site.	Website will be updated
11.3	Referrals under the Code of Conduct?	None		
11.4	Registered with ICO?	✓		
11.5	Is the Council a Managing Trustee	No		
11.6	Minutes - apologies	✓		
11.7	Minutes – declarations of interest	✓	<p>The minuting of declarations of interest should state the type of interest (Personal or Disclosable Pecuniary (DPI)) and the reason for the interest. If the type is not stated then in the absence of any minute stating that the member “left the meeting while the matter was discussed and voted upon” it is unclear that this requirement was met. (Your Standing Order 57 requires the member to leave the meeting).</p> <p>The minutes of the meeting held 17/11/2015 record 7 members present. Cllr Hale declared a DPI however I was informed that he <i>did not</i> leave the meeting. By definition therefore he did take part in the voting and the minutes record “3 for and 1 abstention”, thus it must be</p>	Training to be given re interests

			<p>assumed that his was the abstention. If that was the case then the voting was 3 for and 3 against with 1 abstention, and the Chairman's casting vote should have been noted. The minute is far from clear.</p> <p>The matter under discussion that this minute relates to was the closure of St John's church. Cllr Hale has not registered (as at 31 May 2015, or subsequently) any DPI relating to this issue. If one has arisen since taking office he is bound to advise the Council and Monitoring Officer.²</p> <p><i>For advice, please note: If a member participates in any discussion or vote in contravention of the law, he / she commits a criminal offence which carries a fine, on conviction, not exceeding level 5 (£5000) AND may be disqualified from office for a period not exceeding 5 years³.</i></p> <p><i>Any decision of the Council is not invalidated because "something occurred in the process of making the decision which involved a</i></p>	
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² Localism Act 2011 s.31(3)

³ Localism Act 2011 s.31(4)

			<i>failure to comply with the code</i> ⁴	
11.8	Minutes - dispensations	✓		
11.9	Minutes generally	✓	<p>Minutes 177 & 199 state “peculiarly” rather than “pecuniary”.</p> <p>Minute 202 uses the word “implantation” rather than “implementation”.</p> <p>The minutes of the full council meeting held 19/1/2016 did not approve the minutes of the previous meeting (15/12/2015) (requirement of LGA 1972 Schedule 12, para 41(1))⁵</p> <p>Minutes of committee meetings do not state a start time.</p>	This will be dealt with at the appointment of new staff Meanwhile professional minute taker employed
11.10	Previous internal audit – action taken where recommended?	No	See 1.4 above	
11.11	Previous external audit – action taken where recommended?	✓	The fact that the LCTSG was included with the precept rather than as ‘other income’ in the 2014/15 Annual Return needs to be corrected. In the 2015/16 return the correct figures for the previous year should be entered and annotated “restated”.	This has been corrected
11.12	Electronic records backed up	✓		
11.13	Chairman’s box	✓		
11.14	List of members’ interests	✓		

⁴ ditto

⁵ LGA 1972 Schedule 12, para 41(1) – “Minutes of the proceedings of a meeting of a local authority shall, subject to sub-paragraph (2) below, be drawn up and entered in a book kept for that purpose and *shall be signed at the same or next Meeting* of the authority by the person presiding thereat”

	held?			
11.15	Agendas signed and displayed 3 clear days prior	✓		
11.16	Summons issued in proper format?	✓		
11.17	Delegated authority	✓	To Clerk for emergency expenditure and adjudicating dispensation requests. To 2 committees only.	No action necessary