

INTERNAL AUDIT REPORT – 2016/17
MERE PARISH COUNCIL

The internal audit of Mere Parish Council was carried out by undertaking the following tests as specified in the Annual Return for Local Councils in England:

- Checking that books of account have been properly kept throughout the year
- Checking a sample of payments to ensure that the Council's financial regulations have been met, payments are supported by invoices, expenditure is approved, and VAT is correctly accounted for
- Reviewing the Council's risk assessment and ensuring that adequate arrangements are in place to manage all identified risks
- Verifying that the annual precept request is the result of a proper budgetary process; that budget progress has been regularly monitored and that the council's reserves are appropriate
- Checking income records to ensure that the correct price has been charged, income has been received, recorded and promptly banked and VAT is correctly accounted for
- Reviewing petty cash records to ensure payments are supported by receipts, expenditure is approved and VAT is correctly accounted for
- Checking that salaries to employees have been paid in accordance with Council approvals and that PAYE and NI requirements have been properly applied
- Checking the accuracy of the asset and investments registers
- Testing the accuracy and timeliness of periodic and year-end bank account reconciliation(s)
- Year end testing on the accuracy and completeness of the financial statements

Conclusion

On the basis of the internal audit work carried out, which was limited to the tests indicated above, in our view the council's system of internal controls is in place, adequate for the purpose intended and effective, subject to the recommendations reported in the action plan overleaf.

As part of the internal audit work for the next financial year we will follow up all recommendations included in the action plan.



J D H Business Services Ltd

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	ISSUE	RECOMMENDATION	FOLLOW UP								
1	The incorrect accounts are included on the annual return. The two unrepresented cheques for the year (cheque 710 £150 and cheque 711 £93.27) which are actual payments have not been included in 'Other Payments' in the annual return, with the result that the carried forward balance on the annual return of £1720 does not agree with the accounts which correctly show a carried forward balance of £1477 (rounded)	<p><i>The Annual return should be amended to show the following correct accounts:</i></p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td></td> <td style="text-align: right;">£</td> </tr> <tr> <td>Box 5 'All Other Payments'</td> <td style="text-align: right;">8137</td> </tr> <tr> <td>Box 7 'Balances c/f'</td> <td style="text-align: right;">1477</td> </tr> <tr> <td>Box 8 Cash and Investments</td> <td style="text-align: right;">1477</td> </tr> </table> <p><i>In future unrepresented cheques should be included in payments in the annual return</i></p>		£	Box 5 'All Other Payments'	8137	Box 7 'Balances c/f'	1477	Box 8 Cash and Investments	1477	
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2	The Financial Regulations (FRs) and Standing Orders (SOs) should be updated to reflect current best practice	<i>The FRs and SOs should be reviewed using NALC Model FRs and SOs as a guide</i>									
2015/16 audit											
1	There is no evidence in the minutes that budgetary control information is provided to council during the year.	<i>Actual expenditure as measured against the individual annual budget headings established at the start of the financial year should be reported regularly to council</i>									
2	The minutes note that a part of the year end bank balance relates to an archive fund. No earmarked reserves are identified in the supporting notes to the accounts.	<i>Council should disclose the level of reserves earmarked as an archive fund in the supporting notes to the accounts</i>	2016/17 Reserves have now reduced to levels that reflect sector guidance								

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2014/15 audit			
1	The supporting accounts for the bonfire event show advance ticket sales as £738. The amount shown in the accounts and actually banked was £692.	<i>Any differences between the supporting accounts and the cash book should be investigated and explanations provided.</i>	Implemented – minutes record review into the discrepancy
	<p>Guidance note for 2015/16 An area of potential risk for the Council in 2015/16 is ensuring they meet the requirements of The Pensions Regulator with respect to auto enrolment, or they may face fines. Even if staff are not eligible to be auto enrolled into a pension scheme, the Council may still have to complete a declaration of compliance.</p>	<p><i>The Council should review this risk if they have not already done so and ensure they meet any requirements of The Pensions Regulator.</i> <i>See www.thepensionsregulator.gov.uk for further information.</i></p>	noted
2013/14 issues			
1	The staff costs balance on the annual return appears to include payroll agency costs and refund of expenses to the clerk. These are both administrative costs and should not be included in payroll costs.	<p><i>In future please exclude payroll agency costs and refund of expenses from the calculation of staff costs.</i> <i>If the staff costs balance is not equal to the clerk's salary and HMRC payments, please provide an analysis for audit showing what has been included.</i></p>	Implemented