

# **CORNSAY PARISH COUNCIL**

## **SECTION 4 – ANNUAL INTERNAL AUDIT REPORT**

### **TO THE EXTERNAL AUDITOR**

#### **ANNUAL AUDIT 2014/2015**

#### **INTERNAL AUDITORS COMMENTS ON SECTION 4**

### **BACKGROUND TO REPORT**

Under the provisions of the Accounts and Audit (England) Regulations 2011 Councils, such as Cornsay Parish Council, should arrange for an independent and suitably qualified person to carry out an internal audit who, *on the basis of an assessment of risk, should carry out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31<sup>st</sup> March.*

The internal auditor is provided with a detailed checklist (“objectives of internal control”) by the external auditor (BDO Stoy Hayward for 2014/15) to which he/she is asked to state if they Agree (YES) or disagree (NO) to each entry marked A-K on the checklist. Such responses signify conclusions on whether, in all significant respects, each objective was being achieved throughout the financial year to *a standard adequate to meet the needs of the council.*

Under Section 8 of the Audit Commission Act 1998 auditors are required to report any matters which should be given formal consideration by the body or brought to the attention of the public.

### **CARRYING OUT THE AUDIT**

I met with the Clerk on 12<sup>th</sup> May 2015.

The purpose of the Meeting was to examine the year end accounts for 2014/15 in accordance with the guidelines set down by the External Auditor under the checklist provided (“objectives of internal control”) and the latest BDO Audit Briefing.

### **MATTERS ARISING**

#### **KEY DATES / TIMELINE**

I noted that the Council had complied with the key dates advised by BDO under *Administration, Governance, Accounts & Audit* excepting for approving the budget in the November - December preceding the relevant financial year.

Unfortunately this does not appear to be a realistic target date as the Council does not normally receive some key information from the County Council, required as part of the budgetary process, until January each year.

### **RECEIPTS**

#### ***Precept***

Following a detailed report to the Council on 15<sup>th</sup> January 2014 the Council resolved to increase the precept by 5% for 2014/15.

## ***Recovery of VAT***

Not a major issue but I would normally encourage Council's to take steps to recover any vat paid within a financial year during that year and at least on a quarterly basis.

It was noted that several payments recovered went back to 2012/13 but were delayed until 2014/15 due to advice being awaited from HMRC as to whether the Council could recover these particular payments.

## ***Grants from the Wind Farm***

I understand that only one payment was received during the year in question.

## **PAYMENTS**

### ***Donations***

I understand that one donation was made in this period to a Learning Library under the powers contained in Section 145 of the Local Government Act 1972.

This payment was made without a financial statement being received from the Centre.

I have advised the Clerk that in future the Council must obtain such a statement from any applicant together with a summary of their existing accounts and future commitments.

### ***Invoices***

The Clerk keeps all invoices in a folder with a cross reference to the accounts ledger. There were some gaps (Clerk's salary, HMRC payments and possibly petty cash payments). I would ask that an invoice page is created for each of these payments setting out details of each such payment.

### ***PAYE***

I understand that the Council has fully implemented the Real Time Information payments required by the HMRC as from 2013/14.

### ***Expenditure greater than £500***

I understand that this information is easily extrapolated from the Council's website.

### ***Insurance***

It was noted that the Councils insurance had been only been marginally increased for 2014/15 and that this was also the case for 2015/16.

### ***Clerk's salary and terms and conditions***

I understand that the Clerk's salary was reviewed during 2014/15.

## **TENDERS**

I noted that tenders had been invited for one major project for 2014/15 (the Maypole) and that the lowest tender received had been accepted.

## **NEW COMMUNITY HALL**

I noted that matters are now at advanced stage re the replacement of the existing building.

Given the range of technical issues involved in commissioning, and monitoring such a project, the Council might wish to engage the services of a suitable technical advisor to assist the Clerk with this aspect of the work.

In addition as the Council holds a separate bank account for this project it needs to ensure that any vat recovered is properly accounted for. If the Parish funds part of the work any vat repaid, on such contributions, might need to be transferred back into the Council's general funds.

## **OTHER**

### ***Reserves***

Whilst the Council holds Reserves, in excess of the guidelines recommended by the external auditors, the Council has a major scheme in hand (a new Community Hall).

### ***Earmarked Reserves***

I am advised that the Council is observing its Financial Regulations re Earmarked Reserves.

### ***Risk Assessment***

I understand that a review of the Council's Risk Assessment was carried out and approved by the Full Council at a Meeting held on 26<sup>th</sup> February 2014.

### ***Asset Register***

I was advised that there were no changes to the Register during 2014/15 and that this has been reported to the Council.

### ***Financial Risk assessment***

I have noted the Council's financial regulations based on the NALC model and that these were reviewed during 2014/15.

### ***Review of the Effectiveness of Internal Audit***

I was advised that the Council had carried out a review of the effectiveness of its own internal audit procedures and that it had been approved by the Council.

### ***Cheque counterfoils***

All counterfoils appear to have been initialled by 3 authorised signatories as required under the Council's financial regulations.

### ***Minutes***

It was noted that a few pages had not been signed. The Clerk to ensure that all pages are signed in future.

## **QUALIFICATIONS**

My report is based on a limited review of the Council's accounts and was not a full audit.

It should not therefore be taken as approving the Council's accounts for 2014/15.

The purpose of this report is to be satisfied that the Council has adequate systems in place to meet the numerous control objectives sought by the External Auditor.

M. G. Ackroyd  
Internal Auditor

14<sup>th</sup> May 2015