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5 May 2015

Knockin Parish Council

Ladies and Gentlemen

I have been appointed as your Internal Auditor and am employed by the Council to conduct such tests as are agreed and are sufficient to enable me to complete the Internal Auditor's Report contained within the Audit Commission's Annual Return Form for the appropriate financial year.

My report this year is still based on the Practitioners' Guide, but the tests are taken from the 2014 version of the guide, together with the appendices. I have again given my rationale for the answers given to the various headings on the Annual internal audit report.

- A. Appropriate books of account have been kept properly throughout the year. A Cash Book is maintained, is up to date, regularly balanced and the reconciliation of the cash book balance and the bank statement is agreed by the council at each meeting. The books are made up to 31st March 2015 and were made available to me in a timely manner.
- B. The council's financial regulations have been met. I checked a sample of the income received and also the invoices paid. Payments were supported by invoices, all expenditure was approved and VAT was or will be properly accounted for. I tested a sample of the payment transactions and found them to be satisfactory. Where applicable, prior to authorisation, the invoice is checked by the Clerk. All cheques require two signatures, and the cheque signatories are required to check and sign the original invoice that they have assured themselves that the payment is appropriate for payment and that the invoice and cheque are in agreement as to payee and value. From the samples checked, this is being done. VAT has been identified, and recorded separately, and the year-end claim agrees with the amount shown on the expenditure account.
- C. The Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these. The Risk Assessment policy has been discussed and approved by the council.
- D. The existing Insurance cover runs from 1 June 2014 to 31 May 2015.
- E. A budget was drawn up and was discussed and approved by the Council under Minute 82/15e dated 1/15. The budget was a breakeven budget, and a comparison of the actual spend with the budget is regularly communicated to the council.
- F. All income has been received, is properly recorded and promptly banked where applicable. The recorded precept agrees to the Council Tax authority's notification. The council does not deal in cash or near cash items.
- G. VAT has been properly accounted for and has been claimed up to 31 March 2015, and a claim has been made. The refund for the previous claim to 31 March 2014 was submitted on 22 June 2014 and the refund received on 22 August 2015.
- H. The council does not operate a petty cash system.
- I. The existing clerk has a Contract of Employment, which is based on the NALC model. Salaries to the Clerk and allowances to members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied and payments to HMRC are up to date.

- J. The council has an Asset register which is complete and accurate and properly maintained. The council does not have an investment register as it has no investments.
- K. Periodic and year end reconciliations have been carried out and there is evidence that this has been done and have been checked by two Councillors.
- L. Accounting statements prepared during the year were prepared on the correct accounting basis, agreed to the cash book, and supported by an adequate audit trail. At the year-end there are no unexplained balancing entries in either reconciliation, The year-end accounts have been prepared on the correct accounting basis (receipts and payments) and the value of investments held is not applicable. At the year end, there are original bank statements for both the current account and Reserve account, and a reconciliation has been done.

Conclusion.

I have marked all the categories on the internal audit form as conforming to the required standard on the basis that under risk management there is little or no risk attached to the council from any of the comments I have made.

From my internal audit testing there is no evidence of any irregularities and I would like to thank the Clerk for the excellent way in which the accounts and other audit material have been prepared.

The points I have commented upon in my report come from the internal control testing appendix, and should provide the basis on which the council's own internal controls are set.

General.

For the benefit of the whole council may I respectfully make some points:-

May I recommend to your serious perusal Parts 2 and 3 of the Practitioners' Guide 2014, together with the relevant appendices. One point that stood out to me was in Appendix 10 Safeguarding Public Money where there is a definition of "must", "should" and "may".

- The word "must" means there is a specific legal or regulatory requirement affecting local councils. "Must" is a requirement that is essential.
- "Should" is used to identify minimum good practice, but for which there is no specific legal or regulatory requirement. Councils follow this practice unless there is a good reason not to.
- "May" identifies practices councils apply exercising discretion.

May I also suggest that the council, or a nominated sub-group consider in more depth Part 2.74, Part 3 sections 7, 33, 50 and 109, for whilst the RFO has responsibility for the financial affairs, the council still has the legal responsibility.

From my audit testing, which admittedly is only of a selective sample, I am sure that the RFO is well aware and is following the prescribed procedures, and I know she keeps the councillors fully aware of the financial well-being of the council. Nevertheless I am conscious of the need for ALL councillors to take an interest in the financial affairs of the council, as the council as a whole are ultimately responsible in law. Whilst there are 83 pages comprising parts 2 & 3 in addition to the relevant appendices I do feel it would be worthwhile.

Yours faithfully



Bernard Townson
Internal Auditor
5 May 2015