

**Internal Audit Report  
Finmere Parish Council  
Oxfordshire.**

**Internal Audit Final Report  
2015-16**

**2<sup>nd</sup> June 2016**

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### Introduction

**An internal audit review of Finmere Parish Council's Financial controls for 2015/16 has been undertaken by Arrow Accounting. The work covered was a key control review of the systems in place for ensuring an adequate level of Governance and Financial control. Previous recommendations were followed-up.**



# Scope of the Internal Audit

The review included the following:-

- o Bookkeeping Arrangements.
- o Payments in relation to Financial Regulations.
- o Review of Internal Controls.
- o Budgetary Controls.
- o Expected Income fully received and properly recorded.
- o Petty Cash levels and payments supported and approved.
- o Payroll Controls, salaries & fees.
- o Asset Controls.
- o Bank Reconciliations.
- o Accounting Statements.
- o Trust Funds (If applicable).
- o Review and completeness of audit action plans.
- o Review of External Audit recommendations made in the previous year.
- o Review of Section 1 of the Annual Return and the Financial Statements.
- o Auditors Summary.



Process	Annual Return Section	Findings	Recommendations	Action Planned
Bookkeeping Arrangements	A	Appropriate books of account have been properly kept throughout the year. Well maintained with sound audit trails.	None	N/A
Councils Financial Regulations have been met in regard to expenditure.	B	<p>The Councils Financial Regulations have been met in that appropriate authorisations have been given for each level of expenditure.</p> <p>Payments were supported by Invoices, expenditure was approved and VAT was appropriately accounted for.</p>	I would recommend that The Declaration of Interest is recorded in the minutes before commencement of the meeting.	N/A
Review of Internal Controls.	C	The Council has assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	I would recommend that the Council review the signatory authorisation process. In my opinion elected councillors should be signatories only.	

Process	Annual Return Section	Findings	Recommendations	Action Planned
Budgetary Controls (Precept requirement)	D	The Annual precept requirement resulted from an adequate budgetary process.	None	N/A
Budgetary Controls (Budget monitoring)		Progress against the Budget was regularly monitored.	None	N/A
The final Outturn is in line with expectations.		The final Outturn was materially in line with expectations.	None	N/A
Income controls	E	Expected Income was fully received and properly recorded.	None	N/A
Petty cash controls	F	Petty cash was not operated by the Council.	None	N/A

Process	Annual Return Section	Findings	Recommendations	Action Planned
Payroll controls	G	Salaries to employees and allowances to members were paid in accordance with council approvals. PAYE and NI requirements were properly applied.	None	N/A
Asset Controls	H	The Asset register has correctly recorded all material Assets. The correct basis of valuation has been applied.	I would recommend that the status of the Loan on the Asset Register is reviewed. In my opinion this is not a Register Item. Parish Clerk has informed me that BDO has accepted this.	
Asset Controls	H	Additions in the year have been correctly recorded within the Cash Book and Register	None	N/A
Asset Controls	H	All appropriate Deeds and Titles have been established and shown	None	N/A

Process	Annual Return Section	Findings	Recommendations	Action Planned
Bank Reconciliations	I	Periodic and year-end bank account reconciliations were properly carried out.	None	N/A
Accounting Statements	J	Correct accounting basis used and reconciled to the Cash Book.	None	N/A
Trust Funds (If applicable)	K	Not applicable. The Parish Council does not operate as a Trustee for any external body.	None	N/A

Process	Criteria	Findings	Recommendations	Action Planned
Review of Internal audit action plan has been considered and actioned?	Good Practice	<p>All of the recommendations made in the previous year 2014/15 have been actioned.</p> <p>Asset additions not included in the Return</p>	<p>None</p> <p>Corrected this Year.</p>	N/A
External Audit recommendations have been considered and actioned.		No recommendations made in the previous year 2014/15.	None	N/A
Qualifications made, if any have been addressed in 2015/16.		There were no qualifications to address.	None	N/A



<b>Process</b>	<b>Criteria</b>	<b>Findings</b>	<b>Recommendations</b>	<b>Action Planned</b>
<b>Accounting Statements agreed and reconciled to the Annual Return</b>	<b>Section 1 of the Annual Return</b>  <b>Part 1 of the Annual return is complete and accurate and reconciles to the statement of accounts.</b>	<b>The accounting statements in this annual return present fairly the financial position of the council and its income and expenditure, or properly present receipts and payments, as the case may be.</b>	<b>None</b>	<b>N/A</b>

Review of Critical Finance & Governance	Audit Verification	Recommendations	Action Planned
Proper Book-keeping	Sample Testing of the Accounting System carried out.	None	N/A
	Reconciliation of Cash Book/Accounting System to the Financial Statements at Year End.	None	N/A
Financial Regulations , Standing Orders and Payment Controls.	Reviewed to establish Annual Council reviews. Reviewed for correct content. Tested against payments. Section 137 level not exceeded and other LG Powers correctly applied.	None	N/A
Risk Management	Confirmed the Annual Review and adoption of the Risk Assessment.	None	N/A
	Reviewed the Council Insurance.	None	N/A
	Minutes reviewed for unusual activity.	None	N/A
	Review of the effectiveness of Internal Audit completed	None	N/A

Review of Critical Finance & Governance	Audit Verification	Recommendations	Action Planned
Budgetary Controls	<p>Reviewed the Budget for proper preparation and adoption.</p> <p>Regular reporting to the Council</p> <p>Actions on material variances</p> <p>Council Balances reviewed.</p>	None	N/A
Income Controls	<p>Precept and Grants tested to ensure properly and promptly received.</p> <p>Other income sample tested</p> <p>Investments and Policy reviewed. Awareness of Risks has been accepted.</p>	None	N/A
Petty Cash procedures	System reviewed and tested.	None	N/A

**Payroll Controls**

**System delivers correct payments and that Tax/Ni deductions have been made and sent to HMRC.**

**All Employee's are registered with HMRC.**

**Contracts of Employments in place.**

**Wages & Salaries reconciled to the Financial Statements and the Annual Return.**

**None**

**N/A**

**Asset Controls**

**Asset Register reviewed for completeness. Additions and Disposals correctly stated. Reviews completed by the Council.**

**Investments correctly stated and valued.**

**Investment Strategy in place**

**Council has obtained and read the DCLG guidance on Investments**

**None**

**N/A**

**Not Applicable**

**N/A**

**Bank Reconciliation**

**Regular reviews of the Bank Reconciliations completed.**

**Regularly Checked to the Cash Book**

**Includes a note of historic cost of any Investments.**

**Year End Bank Reconciliation completed accurately and agreed to the Financial Statements and Annual Return.**

**Bank Reconciliations signed by an appropriate councillor.**

**None****N/A****Year End Procedures**

**Financial Statements reviewed and that an audit trail exists. Balance sheet tested if appropriate.**

**None****N/A**

# Internal Auditors Summary Report

Finmere Parish Council has an electorate in the region of 387 and the precept for 2015/16 was set at £7,500.

Overall, the Council has sound arrangements in place to satisfy itself that its systems of internal financial control are both adequate and effective. There are approval and authorisation controls and there is a clear audit and management trail for financial transactions.

**Phil Hood**  
**Arrow Accounting**  
**(Internal Audit)**  
**2nd June 2016**

