

**EAST BUDLEIGH WITH BICTON PARISH COUNCIL**  
**INTERNAL AUDIT REPORT FOR THE ACCOUNTING YEAR ENDED 31 MARCH 2017**

Prepared by: Michelle Bycraft

Date: 17<sup>th</sup> May 2017

**INTERNAL CONTROLS REQUIREMENTS**

Regulation 6 of the Accounts and Audit (England) Regulations 2011 imposes a duty on local councils to 'maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.

Internal audit is a key component of the system of internal control. The purpose of internal audit is to review and report to the council whether its systems of financial and other internal controls over its activities and operating procedures are effective. The internal audit function must be sufficiently independent from the management of financial controls and procedures of the council which are the subject of review.

The regulations require larger authorities to carry out a review of the effectiveness of their system of internal audit at least once a year. This is not a requirement for local councils but it remains good practice and local councils should carry out a review periodically. It is recommended that reviews be carried out no longer than three years apart and also in the year of any change of internal auditor.

**INTERNAL AUDIT SCOPE**

Acting independently and on the basis of an assessment of risk, an internal audit has been carried out through selective assessment of compliance with relevant procedures and controls expected to be in operation by East Budleigh with Bicton Parish Council (EBPC), sufficient to complete the annual return for the year ended 31 March 2017.

During the audit, I have met with the Clerk, Mrs Judith Lumsden, and have had access to all financial and insurance records. Council meeting minutes are available for public viewing via the website, and these have been examined as part of the audit.

**INTERNAL AUDIT FINDINGS**

**A. Appropriate accounting records have been kept properly throughout the year.**

The Clerk manages a robust and up-to-date accounting record system.

The cashbook is operated on an electronic spreadsheet, which has control checks in place to confirm arithmetic accuracy, and is backed up on a regular basis to an external hard-drive.

Reconciliations are prepared monthly for bank and for the cash book to the net surplus/deficit account. The cash reconciliation and net surplus/deficit account are presented and approved at monthly EBPC meetings.

**B. This smaller authority met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.**

The financial regulations of the Council, as updated for 2017, are available for public viewing on the Council's website. It is deemed that the authority has met its financial regulations.

All expenditure is approved during the monthly EBPC meetings. All payments are made by cheque, for which two signatories are required. It is noted that the Clerk is a designated cheque signatory. However, this is not considered to be a control risk due to the dual signatory requirements in place. All cheques are photocopied prior to distribution and filed with invoices.

All payments were supported by invoices, except where highlighted below:

War Memorial - J Tresidder	£115.00	Gift made to a local resident who cares for and maintains the war memorial. It is considered that the payment made relates to true operational expenditure for the Council. If the local resident did not care for the memorial, external contractors would be required at a cost to the Council which would be equivalent or more than the cost of the gift, such that the gift made is considered appropriate.
Royal British Legion Poppy Appeal	£100.00	Contribution to war memorial decoration. A receipt for a charitable contribution is not expected.
Clerk expenses – stamps	£3.48	Trivial. Stamp books were available for inspection. It is accepted that the expenditure reimbursed for the stamps is business expenditure incurred on behalf of the Council.

The following differences were identified between the amounts invoiced and the amounts paid:

	Amount invoiced	Amount paid	
JRB Enterprise	£70.20	£70.00	Cheque confirmed to have been written for full amount, difference relates to banking error. Amount considered to be trivial to pursue.
NDDC – Clerk's expenses	£35.39	£34.44	Correction of 15/16 difference, as instructed by NDDC.

The total differences between invoices and payments identified amount to £1.05, which is considered to be minimal.

It was identified that VAT had been under-recovered by £122.08, primarily due to the under-recovery of VAT on one invoice, being £115.56 VAT in respect of the septic tank for Yettington Recreation Room. All items have subsequently been amended by the Council on their completed Annual Return.

**C. This smaller authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.**

The Council's risk assessment, as updated for 2017 and presented at the meeting in March 2017, is available for public viewing on the Council's website. The risks identified and their assessment thereon have been reviewed and deemed reasonable. There are no deemed significant risks.

Risk is managed by the council as a standard agenda item at the monthly meetings and any actions agreed and minuted.

The Council is comprehensively insured with AON.

**D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.**

The precept is budgeted for by the Clerk and the Chairman to the same level of detail as the accounts based on spend requirement. The 2016/17 precept was proposed to and approved by the Council during the January 2016 meeting.

The budget is reviewed at each monthly Council meeting in comparison to the cashbook to date. This item is included in the formal agenda and recorded in the minutes. Any significant variances are discussed and explanations minuted as necessary.

**E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.**

Precept income and council tax support grant income received for the year were in line with the budget predictions.

All income was properly recorded and promptly banked.

All income has been agreed to supporting documentation.

There was no output VAT to account for by the Council.

**F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.**

No petty cash is kept.

**G. Salaries to employees and allowances to members were paid in accordance with this smaller authority's approvals, and PAYE and NI requirements were properly applied**

The Clerk's salary and expenses are managed and paid for by North Devon District Council (NDDC), who in-turn recharge the cost to EBPC with an administration cost of £6.43 + VAT for the service provided. NDDC are responsible for the accounting and payment of PAYE and NI.

The Clerk submits her expense claims, together with receipts where available, to NDDC by the 10<sup>th</sup> of the month for payment by the 25<sup>th</sup> of the month.

The Clerk's annual salary review for 2016/17 was approved by the Council as part of the precept increase at the meeting held in January 2016.

Each month, the cost of the clerk's salary and expenses are analysed in the Finance reports presented for retrospective approval by the Council.

**H. Asset and investment registers were complete and accurate and properly maintained.**

There were no additions originally listed on the fixed asset register for the year. It was queried whether the acquisition of the septic tank and associated works for the Yettington recreation room (£577.78 + concrete £170.62) should be listed. These have subsequently been added to the register and included within the Annual Return by the Council.

**I. Periodic and year-end bank account reconciliations were properly carried out.**

Bank reconciliations are carried out on a monthly basis, and presented to the Council at each monthly meeting for approval. It was identified that the cheques presented to the Council for approval on 28 March 2017, amounting to £2,515.20, had not been included within the year-end bank account reconciliation as unrepresented items. The year-end bank reconciliation and Annual Return has subsequently been amended by the Council to include these unrepresented cheques.

**J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.**

The Council appropriately use a receipt and payment accounting basis, such that no recording of debtors and creditors is required.

The accounting statements have been agreed to the cash book, as amended by those items identified in section B, and supported by an adequate audit trail from underlying records, apart from those exceptions identified in section B.

**K. Trust funds (including charitable) – the council met its responsibilities as trustee**

Not applicable.

**L. General**

**a. Capital Fund**

There has been no change to the Capital Fund, remaining at £400.

**b. General Fund**

There has been no change to the General Fund, except interest received of £2.41.

**M. Conclusion**

Having performed a review of the accounting systems and internal controls, I conclude that adequate controls are in place. The exceptions highlighted within this report are considered to be low risk and do not indicate significant weakness in controls such that an adverse internal audit conclusion is justified or required.

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