

Parish Council Accounts Financial Year Ending 31 March 2018

Internal Audit Report for the Annual Return

I confirm that I have completed an independent examination of the annual accounts of the Fownhope Parish Council for the financial year ending 31 March 2018.

I confirm that I am independent of financial decision making, financial management, financial control and financial procedures of Fownhope Parish Council.

Scope of Audit

I have conducted an audit which I believe is appropriate for the size of the Fownhope Parish Council. The primary aim of the audit is to report on the Council's performance against its financial control objectives as defined in the internal audit section of the Annual Governance and Accountability Return document.

Documents

I have examined the following documents: -

- The computer Excel spreadsheet file FINAL FPC accounts for year ending 31.3.18.xlsx which includes sheets
 - Annual Return (2017/2018)
 - Accruals 31/3/17 (disallowed by the external auditor for year ending 31/3/2017)
 - Balance Sheet (2017/2018)
 - Accounts (2017/2018)
 - Cash Book Reconciliation (2017/2018)
 - Payments (2017/2018)
 - Receipts (2017/2018)
 - Protected Funds
 - Outstanding cheques 31/3/2018
 - Fixed Assets Register (year ending 31/3/2017)
 - IAG (Investment Advisory Group) Report (April 2017)
 - Loan Repayments
- Bank statements for the Current Account and Business Reserve Account held at the NatWest Bank by Fownhope Parish Council.
- Cheque books and paying-in books for the NatWest Bank Current Account.
- Invoices.
- Minutes of Parish Council meetings.
- Notes of the Finance Working Group meetings (23 November 2017 and 3 January 2018)
- IAG (Investment Advisory Group) Report (May 2018)
- Fownhope Parish Council Financial Regulations V8 November 2017
- Fownhope Parish Council Financial Regulations Appendix 1.0 Investment Strategy January 2018
- The Fownhope Parish Council Risk Assessment 2016-2017.
- The Fownhope Parish Council Risk Register April 2018.
- Insurance documents including Certificate of Employers' Liability Insurance, property insurance, commercial legal protection insurance, personal accident insurance etc..

- The Annual Return document for the financial year ending 31 March 2017 and the External Auditor Certificate and Opinion.
- Report of the Fownhope United Charities and Mary Holt Charity for the year ending 31 December 2017 as presented to the Annual Parish Meeting held on Sunday 13 May 2018.

Findings

	Internal Control Objectives	Evidence	Findings
A	Appropriate accounting records have been kept throughout the year	<ol style="list-style-type: none"> 1. The computer Excel spreadsheet file FINAL FPC accounts for year ending 31.3.18.xlsx 2. Fownhope Parish Council Financial Regulations V8 November 2017 3. Minutes of Fownhope Parish Council meetings. 4. Notes of Finance Working Group meetings 5. Investment Advisory Group (IAG) reports 	<ol style="list-style-type: none"> 1. The accuracy of the receipts and payments was checked with reference to bank statements, paying in slips, cheque stubs and invoices. I found no errors and conclude that the records are accurate. 2. Finance reports were presented to meetings of the Fownhope Parish Council throughout the year. I conclude that records have been kept up to date and reported throughout the year. 3. The notes from the Finance Working Group meetings show that appropriate action is being taken to ensure finance records are maintained and appropriate. 4. The IAG reports show that appropriate records and monitoring are maintained throughout the year.
B	Fownhope Parish Council complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	<ol style="list-style-type: none"> 1. The computer Excel spreadsheet file FINAL FPC accounts for year ending 31.3.18.xlsx 2. Fownhope Parish Council Financial Regulations V8 November 2017 3. Minutes of Fownhope Parish Council meetings. 4. Invoices 	<ol style="list-style-type: none"> 1. The Financial Regulations of the Fownhope Parish Council were implemented and I found no instances of non-compliance 2. The majority of payments were supported by invoices. Other payments, for expenses to members and volunteers, were supported by receipts or invoices. 3. Expenditure was approved at meetings of Fownhope Parish Council. The minute reference for approvals is recorded for the majority of approvals in the Payments sheet of the spreadsheet. 4. Not all cheque counterfoils have been initialled by both cheque signatories (Regulation 5.4). 5. VAT has been separately accounted for in the Payments sheet of the spreadsheet.

	Internal Control Objectives	Evidence	Findings
C	Fownhope Parish Council assessed the significant risks to achieving its objectives and reviewed the adequacy of the arrangements to manage these.	<ol style="list-style-type: none"> 1. The Fownhope Parish Council Risk Assessment 2016-2017 2. The Fownhope Parish Council Risk Register April 2018 3. Fownhope Parish Council Financial Regulations V8 November 2017 	<ol style="list-style-type: none"> 1. The Fownhope Parish Council Risk Assessment 2016-2017 has been reviewed and updated during this financial year. 2. A Risk Register Working Group was set up at the Fownhope Parish Council meeting held on 7 February 2018. 3. The revised document Risk Register April 2018 is more comprehensive 4. I conclude that the risks to achieving objectives have been assessed and the adequacy of the arrangements to manage risks has being reviewed and updated.
D	The precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	<ol style="list-style-type: none"> 1. The computer Excel spreadsheet file FINAL FPC accounts for year ending 31.3.18.xlsx 2. Minutes of Fownhope Parish Council meetings. 	<ol style="list-style-type: none"> 1. A draft budget for years ending 31/3/2019, 31/3/2020 and 31/3/2021 was presented and discussed at length at the Fownhope Parish Council meeting held on 1 November 2017. 2. At the 6 December 2017 meeting of the Fownhope Parish Council, it was resolved to submit a precept increase of £2000 following consultation of the revised draft budget. 3. Progress against budget is recorded on sheet Accounts of the computer spreadsheet. This was also identified in the half year audit. 4. Finance reports as minuted in the Fownhope Parish Council minutes include updates on bank balances but do not include regular reports on progress against budget. However, I am confident that the arrangement of the formulae in the spreadsheet updates the Accounts sheet with updates of Payments sheet and any concerns about overspend against budget would be raised by the RFO in the finance reports.

	Internal Control Objectives	Evidence	Findings
			5. Reserve funds were allocated to projects at the Fownhope Parish Council meeting held on 7 February 2018.
E	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	<ol style="list-style-type: none"> 1. The computer Excel spreadsheet file FINAL FPC accounts for year ending 31.3.18.xlsx 2. Minutes of Fownhope Parish Council meetings. 3. Bank account paying in slips 4. Bank account statements 	<ol style="list-style-type: none"> 1. The sheet Accounts of the computer spreadsheet shows that excess income was received over the expected income. This was partly due to donations being received for a renovation project for the community completed during the year. 2. VAT was recovered during the year and the minutes of the Fownhope Parish Council meeting held on 4 April 2018 record that a submission has been made to reclaim VAT for 2017/2018. 3. Cash and cheques were promptly banked.
F	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	<ol style="list-style-type: none"> 1. Fownhope Parish Council Financial Regulations V8 November 2017 2. Minutes of Fownhope Parish Council meetings 3. The computer Excel spreadsheet file FINAL FPC accounts for year ending 31.3.18.xlsx 	<ol style="list-style-type: none"> 1. The Financial regulations state that the Fownhope Parish Council will not maintain any form of cash float. 2. The financial transactions recorded in the Payments sheet of the spreadsheet do not record any cash payments 3. The minutes for the Fownhope Parish Council do not record any cash payments.
G	Salaries to employees and allowances to members were paid in accordance with Fownhope Parish Council's approvals and PAYE and NI requirements were properly applied.	<ol style="list-style-type: none"> 1. The computer Excel spreadsheet file FINAL FPC accounts for year ending 31.3.18.xlsx 2. Minutes of Fownhope Parish Council meetings. 3. Invoices 	<ol style="list-style-type: none"> 1. The only salary payable is that payable to the Clerk. 2. The salary is paid by cheque and the PAYE and NI requirements are dealt with through a payroll services company 3. Allowances and expenses are paid by cheque 4. Cheques are approved for payment at Fownhope Parish Council meetings.

	Internal Control Objectives	Evidence	Findings
H	Asset and investment registers were complete and accurate and properly maintained.	<ol style="list-style-type: none"> 1. Fixed Assets Register sheet of the computer Excel spreadsheet file FINAL FPC accounts for year ending 31.3.18.xlsx 2. IAG (Investment Advisory Group) Report (May 2018) 3. Minutes of Fownhope Parish Council meetings. 4. Fownhope Parish Council Financial Regulations Appendix 1.0 Investment Strategy January 2018 	<ol style="list-style-type: none"> 1. The fixed asset register seen on the spreadsheet was current for the year ending 31/3/2018. However, it has been approved at the Fownhope Parish Council meeting held on 2 May 2018 but with the removal of five computers and one printer. 2. Meeting minutes of the Fownhope Parish Council record the investment account balance but this appears to be a nominal sum of £31,000, probably in view of the fluctuations in value. 3. The IAG report does not identify the details of the investment and I have not found details other than the names of the companies in the investment portfolio. Otherwise there is compliance with the requirements of the Investment Strategy.
I	Periodic and year end bank account reconciliations were properly carried out.	<ol style="list-style-type: none"> 1. The computer Excel spreadsheet file FINAL FPC accounts for year ending 31.3.18.xlsx 	<ol style="list-style-type: none"> 1. The arrangement of the formulae in the spreadsheet updates the Cash Book Reconciliation sheet with updates of Payments and Receipts sheets. The bank account balances and the value of uncleared cheques can be entered and this identifies differences and allows regular reconciliations to be made. 2. The year end values show no differences and bank account reconciliations have been carried out properly.

	Internal Control Objectives	Evidence	Findings
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.	<ol style="list-style-type: none"> 1. The computer Excel spreadsheet file FINAL FPC accounts for year ending 31.3.18.xlsx 2. Minutes of Fownhope Parish Council meetings. 3. Notes of Finance Working Group meetings 4. Investment Advisory Group (IAG) reports 	<ol style="list-style-type: none"> 1. Accounting statements were prepared on the correct accounting basis (receipts and payments) on the spreadsheet. Formulae and links in the spreadsheet show agreement with the cash book. 2. I found that I could follow audit trails to check the accuracy of receipts and payments values in the accounts spreadsheet and debtors and creditors were properly recorded. 3. Finance reports as minuted in the Fownhope Parish Council minutes include updates on bank balances but do not include details of the cash book.
K	Trust funds (including charitable) – the Fownhope Parish Council met its responsibilities as trustee.	<ol style="list-style-type: none"> 1. Report of the Fownhope United Charities and Mary Holt Charity for the year ending 31 December 2017 	<ol style="list-style-type: none"> 1. The report states that the trustees to the scheme include three trustees appointed by Fownhope Parish Council, each for three years, who may be but do not need to be Council members. 2. No parish council member serves as trustee. 3. I conclude that the Fownhope Parish Council does not have responsibilities as trustee of trust funds.

Conclusion

After examining these documents, it is my opinion that the accounts are accurate, correctly balanced and show that the Fownhope Parish Council has implemented a satisfactory process for financial control.

I can therefore confirm that: -

- Appropriate accounting records have been kept throughout the year.
- The Council met its financial regulation, payments were supported by invoices, all expenditure was approved.
- The Council assessed the significant risks to achieving its objectives.
- The precept requirement resulted from an adequate budgetary process.
- Expected income was fully received and promptly banked.
- Salaries to employees were paid in accordance with the Council's approvals and PAYE and NI requirements properly applied.
- Asset registers and investment registers were complete, accurate and properly maintained.
- Periodic and year end bank account reconciliations were properly carried out
- Accounting statements prepared during the year were prepared to the correct accounting basis, agreed to the cash book, supported by an audit trail.

Recommendations

I make the following recommendations with a view to encouraging the Council to make improvements in its systems for internal financial control for the current financial year ending 31 March 2019.

1. I recommend that the revised Risk Register is prepared in the format proposed in the Practitioners' Guide to Proper Practices, Governance and Accountability for Smaller Authorities in England. It is included in Appendix 1 – Risk Register.
2. I recommend that the Fownhope Parish Council Financial Regulations V8 November 2017 Section 11 Risk Management is reviewed and updated to fully comply with Item C of the Internal Control Objectives.
3. I recommend that the asset register is updated in accordance with the resolution at the 2 May 2018 meeting.
4. I recommend that the Council prepare a document to record the nature of the investments managed by the Investment Advisory Group. Item H of the Internal Control Objectives requires an investment register. This document could also define the nature of the stop-loss order arrangement implemented by the IAG for share dealing.
5. I recommend the Council receive regular updates on progress against budget and cash book reconciliation if they are not already included with the reports of bank account balances.

I would like to thank Mrs Helen Tinson, Councillor Dorothy Quayle and Councillor Alex Champ for their assistance.

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