

CORNSAY PARISH COUNCIL
SECTION 4 – ANNUAL INTERNAL AUDIT REPORT
TO THE EXTERNAL AUDITOR
ANNUAL AUDIT 2015/2016
INTERNAL AUDITORS COMMENTS ON SECTION 4

BACKGROUND TO REPORT

Under the provisions of the Accounts and Audit Regulations 2015 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 31st March.*

The internal auditor is provided with a detailed checklist (“objectives of internal control”) by the external auditor (BDO Stoy Hayward for 2015/16) 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 the relevant sections of the Audit Commission Acts 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 of the Council on 12th May 2016.

The purpose of the meeting was to examine the year end accounts for 2015/16 in accordance with the guidelines set down by the Audit Regulations and more recently the BDO Audit Briefing for March 2016. I am aware that the Council is subject to an Intermediate Audit as either its income or expenditure exceeded £200,000 at the year end.

THE BDO LOCAL COUNCIL SPRING BRIEFING MARCH 2016

Firstly some comments on the Briefing note for March 2016.

This note covers several changes from the Accounts and Audit Regulations 2015, how this impacts on future reviews, the layout of the Annual Return and changes to the period of electors rights.

Other topics are addressed but it is the changes to the Regulations which need to be given careful consideration which, if not dealt with correctly, could result in potential costs to the Council and the possibility of a Qualified Certificate being issued by the External Auditor.

The Council need to incorporate the keys dates from these changes into its audit diary to ensure that they are dealt with and in the correct chronological order.

BUDGET 2015/16

The out-turn figures (Income/Expenditure) compared with the basic budget (ie excluding the new Centre) forecast were within £1 for Income and £1000 (saving on insurance and grounds maintenance mainly) for expenditure.

RECEIPTS

Precept

Following a detailed report to the Council on 17th December 2015 the Council resolved to increase the precept by 3% for 2016/17 although the actual amount payable by householders should be slightly less as I understand that the Council Tax Base Rate has increased from 243.4 to 261.3.

Recovery of VAT

Not a major issue excepting for recovering vat paid on accounts relating to the building of the new Hamsteels Community Hall. More on this later.

Grants from the Wind Farm

I understand that only one payment was received during the year which was a contribution of £30,000 towards the new Hamsteels Community Hall.

PAYMENTS

Donations

I was advised that no payments had been made during 2015/16.

I noted that the Council has a Grants and Donations Policy which enables the Clerk and Chairman to identify which requests qualify for consideration by the Council and which do not.

Invoices

From the random selection made all accounts appear to have been referred to the Council for approval and were in keeping with a previous authority to incur such expenditure.

PAYE

I understand that the Council continues to submit the Real Time Information payments required by the HMRC.

Expenditure greater than £500

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

Insurance

It was pleased to note that the Council had obtained competitive quotes for its Insurance cover and that the Zurich was the lowest quote received.

For the coming year (1st June - 31st May) I understand that a reinstatement figure has been included for the new Hamsteels Community Hall at an amount £537,000.

In addition the Council made one claim during 2015/16 to the Zurich for a new roof on Youth Shelter (vandalism) costing around £1400 with the Council recovering all the costs but the usual excess of £100.

Clerk's salary and terms and conditions

I understand that the Clerk's salary was reviewed by the Council at its Meeting held on 27th January 2016 and that it was resolved to leave the salary at the same Scale.

TENDERS

I noted that the only tenders invited during 2015/16 were for the new Community Hall and this had been handled by a firm of Architects, Blake Hopkinson were appointed in May 2012 after quotations were obtained from 3 firms of architects). See also under New Hamsteels Community Hall.

OTHER

Reserves

Whilst the Council held Reserves at the year end, considerably in excess of the guidelines recommended by the external auditors, the Council still has some substantial invoices to pay for the new Hall and by the end of 2016/17 is likely to be back to its previous level of around £4000 subject to a 2.5% retention which will be due to WJMQ in July 2017

Earmarked Reserves

I was 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 27th January 2016.

Asset Register

I was advised that there were no changes to the Register during 2015/16 and that this was reported to the Council at a Meeting held on 27th January 2016.

Financial Risk assessment

I have noted the Council's financial regulations continue to be based on the NALC model and that these will be updated in line with that Model. The Council reviewed these arrangements at a Meeting held on 27th January 2016 and made no changes.

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 at a Meeting held on 27th January 2016.

Cheque counterfoils

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

Minutes

It was noted from a random check that all pages had been signed by the Chairman

However there is one set of minutes which need to be signed off by the Council and I am referring to the minutes of the Community Building Project Committee which last met in November 2014. The minutes of that meeting need to be approved and I would recommend that the Council receives these minutes and, if approved, that the minute book be duly signed.

Playground Inspections

I noted that the Council continues to have its playground equipment checked annually by a qualified engineer and that 2 local residents carry out logged weekly inspections.

NEW HAMSTEELS COMMUNITY HALL

I was provided with a summary of the project and the funding arrangements including the grants received from the National Lottery, Wind Farm Grant and the Council's earmarked reserves.

I was also advised on the project management arrangements in place and the potential cash flow problems arising from paying out invoices and having to wait to recover the vat from HMRC.

The Clerk provided me with the expenditure on the Community Centre for the year 2015/2016 and the Quantity Surveyor's estimate from April to July although he is expecting an update from a project meeting to be held shortly.

On another matter I would have preferred all cheques (income and expenditure) to be processed through one bank account but for various reasons I was advised that this was not possible.

One thought I had was for the Council to share its experiences in handling a project of this scale, and the various issues raised, with other Councils – possibly with the SLCC or its successor.

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 2015/16.

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.

Finally I would like to thank the Clerk for his help in completing my audit.

M. G. Ackroyd
Internal Auditor

14th May 2016