Internal Audit

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Colney Heath Parish Council Audit

L Chaplin
Parish Clerk
Colney Heath Parish Council
Alban Park Office
Windfall House
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St Albans
Hertfordshire
AL4 0LA

Dear Lisa

As you are aware your Parish Council is required to complete an annual return at the end of each financial year in accordance with proper practices. Part of this annual return requires that an internal audit is carried out. We have completed our internal audit for the financial year 2016/17 and have completed the relevant section of the annual return.

Unfortunately following our audit testing we were only able to agree that one of the internal control objectives has been met which was item 'I' in that Periodic and year-end bank account reconciliations have been carried out.

In order to meet the remainder of the internal control objectives we have made a number of recommendations which are shown on the table below.

We are happy to provide advice to help you meet these requirements.

I would also like to mention that you may wish to consider the impact of the General Data Protection Regulations on your organisation, which come into force in May 2018. Further information is available online (www.ico/gov/uk) on 12 steps to take now to ensure that your organisation is compliant.

Yours sincerely

A Palmer

Amanda Palmer
Principal Auditor
KCC Internal Audit

Findings	Recommendation
1. **Budget Setting** No documents could be found to explain the budgets for 2016/17 and how these had been calculated.	Ensure that there is clear documented process in place for the setting of the budgets for each financial year which must be approved and match to the annual precept.
2. **Budget Reporting** It was identified that expenditure and income against the budgets for 2016/17 has not been reported.	Ensure that regular reports are presented to committee/council recording actual expenditure and income against budgets for each financial year. A report of all transactions should be presented with this information. Where there are any significant variances explanations should be provided for these.
3. **Financial regulations** The Financial Regulations have not been reviewed since December 2015.	Financial regulations must be reviewed annually and approved accordingly.
4. **Minutes** Audit testing identified that appendices are not currently kept with the signed minutes. As a result it was not possible to locate certain documents needed to demonstrate that records of meetings are complete and accurate.	Ensure that any appendices/reports referred to within minutes are attached and filed to the signed copies for future reference and to ensure that there is a full audit trail.
5. **Effectiveness of Internal Control** It is a requirement of the Accounts and Audit Regulations 2015 that Parish Council's ensure that there is a sound system of internal controls and that each year there must be a review of the effectiveness of internal control, however this has not been completed for 2016/17.	A review of the effectiveness of internal control must be completed on a yearly basis.
6. **Annual Governance Statement** A annual governance statement has not been completed for 2016/17 which is also a yearly requirement.	A annual governance statement must be completed on a yearly basis.
7. **Cheque Stubs** Currently cheque stubs are not being noted with the required information as per the Financial Regulations.	Ensure that the cheque stub/counterfoil details the relevant invoice numbers and that the cheque signatories have initialled the cheque counterfoil.
8. **Expenditure** Upon audit testing of a sample of payments made we found one payment in excess of £8k that was approved by the Chair of the Council without regard to full council, which is breach of the Parishes Financial Regulations.	Ensure that all payments are made in accordance with the financial regulations.

Findings	Recommendation
9. S137 Payments Following audit testing it was established that it was not possible to identify what s137 payments had been made as these are not recorded or reported as such.	Ensure that s137 payments are recorded as such within the accounting system and are reported accordingly to committee/council.
10. Reporting of payments It was identified that for March 2017 there was not a minute to confirm authorisation of payments.	Ensure that there is a minute recording the payments authorised each month.
11. Paying in Books The paying in book relating to the period April to August 2016 could not be found.	Ensure that all paying in books are retained to ensure that there is a full audit trail.
12. Petty Cash It was established that petty cash is no longer used. However it was not possible to identify that appropriate records had been maintained when petty cash was in place or that the balance transferred to the current account was correct.	If petty cash is to be reinstated ensure that appropriate records are maintained.
13. Allotments We were unable to identify all the income relating to allotments for 2016/17 and for those plots where payment had not been received there appeared to be no debt recovery actions carried out.	For allotment income ensure that there are appropriate records of who rents the plot, what payment is due, when payment has been received and what action has been taken for those who have not made payment.
14. Income It could not be established when fees/charges were last reviewed and approved.	Fees and charges should be reviewed on a annual basis.
15. Community Bus Income From audit testing it was not possible to reconcile the community bus income that should have been received and banked due to insufficient records being held.	Introduce a reconciliation sheet showing the days that the community bus operates, the number of passengers on aboard, the total cash received by the clerk and the amount banked. This should reconcile to banking records.
16. Bank Reconciliations Upon examination of the bank reconciliations completed for 2016/17 a number had not been completed timely and had not been subject to an independent review.	Bank reconciliations should be completed on a monthly basis and reviewed independently.
17. VAT Returns The returns relating to 2016/17 had not been completed and submitted on a quarterly basis. The returns for the 2016/17 year were submitted in May 2017.	VAT returns must be completed and submitted on a quarterly basis as penalties may be incurred otherwise.
18. Online Banking The clerk currently has 'super user access' therefore can amend her own access rights to the online banking system.	Explore what controls can be put into place to monitor this.

Findings	Recommendation
19. Payroll Contracts were not in place for all members of staff. Salaries and wages had not been subject to an annual review and approval.	All members of staff must be in receipt of a formal contract which reflects their current role. Salaries and wages should be subject to an annual review and approval..
20. Business Reserve Account There is a bank account that currently holds £10,000 with regards to the parish common however no documents or explanations were provided to justify such a high balance.	Investigate as to why it is felt that £10,000 needs to be retained with regards to the parish common.
21. Investments There are reserves of over £300k being held in a current account which could put these monies at risk.	Explore the options as to where these monies could be invested to ensure security and return on investment.
22. Insurance Certificates It was identified that insurance certificates are not currently on display for staff as required.	Ensure that insurance certificates are either displayed for staff to view or are stored in an accessible central location.
23. Risk Assessments The Financial Regulations state that the council is responsible for putting in place arrangements for the management of risk. However no risk assessments could be located during the audit.	Ensure that risk assessments are completed for activities of the council and are approved.
24. Asset Register The financial regulations state that the RFO shall ensure that an appropriate and accurate Register of Assets and Investments is kept up to date. The continued existence of tangible assets shown in the Register should be verified at least annually, possibly in conjunction with a health and safety inspection of assets. During the audit it was found that the asset register is several years out of date and the existence of assets has not been confirmed.	Ensure that a register of assets is maintained and assets are verified annually.