

Internal Audit Report to Ilkley Parish Council

Date of Visit 18th June 2015

Introduction

The purpose of an Internal Audit to give management reassurance that all is working well and that the current systems in operation are robust and fit for purpose.

This was my first visit and part of this time was taken up with familiarising myself with the financial systems, policies and procedures currently in place. My role is to look at these and recommend if needed recommendations and suggestions for improvement. As an outsider not involved in any of the day to day administration of the parish council I am objective and independent and therefore able to give a balanced opinion.

As an auditor I am mindful that the parish council is able to have confidence in my skills and that each internal audit I complete adds something to the organisation. Clare and I decided that after our preliminary discussion that we should set out an audit programme which covers all areas of the parish council's responsibilities and details the work completed and the conclusions and recommendations reached.

Preliminary Discussion

In the interview discussion on the 27th April with Clare and Cllr Sugden it was mentioned that the financial reporting structure should be reviewed to determine its effectiveness and the requirements of Clare as the RFO (Responsible Financial Officer). This was therefore the first item of discussion for my first internal audit visit.

I agree with Clare that as the RFO the financial system must be one that she feels comfortable with and has ownership of. The current system was designed by the previous internal auditor and on examination I found to be satisfactory. However it includes numerous complex formulae from pivot tables which feed into one spreadsheet. The previous auditor has offered to help should the formulae's need revising but I think that this is the time to re-assess the current system and decide a way forward.

Clare and I also had a general discussion regarding the responsibilities of the Parish Council and the background she felt useful for my first visit.

The Audit

Financial Systems

In discussion with Clare I consider that there is a current weakness in that the Cllrs do not see the bank statements. It was agreed that I would share a bank reconciliation format which I use in my other role as a Parish Clerk. This together with a relevant bank statement evidences reconciliation between the cash book and the money in the bank accounts. It should be produced monthly and each Cllr present at the council meeting should initial the front cover demonstrating that they have seen and understood this information. The front cover should then be checked

and authorised by the Chair and this document should then be retained for the audit file.

With regards to an improved financial system we also discussed the possibility of buying a financial package. Clare showed me the RBS system which on the face of it looked very good. The financial reports looked user friendly and would be an improvement on the current system. This system is currently used in Knaresborough Town Council and Clare is to contact them to ask their opinion and to ask for a demonstration. If the result of this research is favourable then this could be a way forward depending of course on the agreement of the Parish Council to invest in this system.

Policies and Procedures

Clare and I discussed the Financial Regulations, Standing Orders, Complaints, Procedure, Staffing Policies, Members Code of Conduct, Model Publication Scheme and the Members Handbook. Clare is to introduce an Internal Control Procedure which is an excellent idea but was unsure as to how often to review it once adopted. The usual practice is to review it annually but we both felt that this was not enough, we decided that bi-annually would be better.

On a discussion of the Asset Register I asked Clare if the items on the register were checked to ensure that there were present and their condition. She stated that currently this was not the case and I suggested that the current system be improved to include a physical check of items. This should be carried out annually with a note of the person/s carrying out the checks and comments if needed as to the condition of the assets. The value of the allotment land should also be added to the Asset Register once this has been transferred from Bradford Council.

I noted that in the past that VAT reimbursements were completed annually but was pleased to note that Clare was to start doing them quarterly which is an excellent example of good practice.

When asking about the employment procedures I noted that Clare has not had a recent Appraisal, this should be carried out by the Chair of the Management and Staffing Committee and will be something I shall check on my next visit.

I also noted that when renewing the Insurance requirements of the Parish Council that three quotes had not been obtained. The Parish Council is currently insured with Zurich who are known to be very competitive but this has to be proved and evidenced so I recommend that in future three quotes are obtained to prove value for money.

Internal Audit Programme

An Internal Audit should be focused and proof of a parish councils drive to ensure good governance within its organisation and be value for money. It was decided that three internal audit visits per year would be adequate and should be timed at pivotal times of the year which would be the most beneficial to the Parish Council. It was agreed the visits would be in April, September and January.

April Visit

- To incorporate the Financial Year end
- Sign off the Annual Return for the External Audit
- Asset Register Examination
- Internal Control Documentation check
- Annual Financial policies check

September Visit

- Mid -year operational financial check to include income/expenditure transaction sampling
- Examination of financial procures and systems
- VAT examination
- Petty Cash
- Salary examination (SLA Bradford Council)
- Appraisal discussion

January Visit

- Budget Preparation discussion- the year ahead
- Precept Discussion
- Preparation for the year end
- Sampling of transactions for year end
- Risk Assessment discussion
- Legislative changes when appropriate

Conclusions

At the next full council meeting of Ilkley Parish Council the Internal Audit Programme should be discussed and agreed.

The recommendations which Clare and I have discussed and are noted in the above report should also be discussed and agreement reached. These are;

- Financial system package- what is the best way forward after Clare has completed her research
- Introduction of an improved check for the bank reconciliation
- Bi annual check of the newly introduced Internal Control Document
- Annual physical check of the Asset Register
- Appraisal to be carried out for Clare as soon as possible
- Three quotes obtained for Insurance Renewal

I hope that the above is satisfactory and I look forward to a productive working relationship with Ilkley Parish Council.

Diane Brown
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