

**Internal Audit Report  
Leafield Parish Council  
Oxfordshire.**

**Internal Audit Final Report  
2016-17**

**3<sup>rd</sup> July 2017**

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### Introduction

An internal audit review of Leaffield Parish Council's Financial controls for 2016/17 has been undertaken by Arrow Accounting. The work covered was a key control review of the systems in place for ensuring an adequate level of Governance and Financial control. Previous recommendations were followed-up.



## Scope of the Internal Audit

The review included the following:-

- o Bookkeeping Arrangements.
- o Payments in relation to Financial Regulations.
- o Review of Internal Controls.
- o Budgetary Controls.
- o Expected Income fully received and properly recorded.
- o Petty Cash levels and payments supported and approved.
- o Payroll Controls, salaries & fees.
- o Asset Controls.
- o Bank Reconciliations.
- o Accounting Statements.
- o Trust Funds (If applicable).
- o Review and completeness of audit action plans.
- o Review of External Audit recommendations made in the previous year.
- o Review of Section 1 of the Annual Return and the Financial Statements.
- o Compliance with the Transparency Act.
- o Auditors Summary.



# Findings, recommendations and action plan

| Process  | Annual Return Section | Findings   | Recommendations  | Action Planned |
|--|-----------------------|--|--|----------------|
| Bookkeeping Arrangements   | A                     | Appropriate books of account have been properly kept throughout the year. Well maintained with sound audit trails.   | None   | N/A            |
| Councils Financial Regulations have been met in regard to expenditure. | B                     | The Councils Financial Regulations have been met in that appropriate authorisations have been given for each level of expenditure.<br><br>Payments were supported by Invoices, expenditure was approved and VAT was appropriately accounted for. | None   | N/A            |
| Review of Internal Controls.   | C                     | The Council has assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.  | The Risk Assessment is in place, however please see Appendix 1 to this report. | N/A            |

| Process   | Annual Return Section | Findings  | Recommendations  | Action Planned |
|---|-----------------------|---|--|----------------|
| Budgetary Controls (Precept requirement)        | D                     | The Annual precept requirement resulted from an adequate budgetary process. | None   | N/A            |
| Budgetary Controls (Budget monitoring)          |                       | Progress against the Budget was not regularly monitored.                    | Recommend that the Budget is regularly monitored   | N/A            |
| The final Outturn is in line with expectations. |                       | The Final Outturn was materially in line with expectations.                 | None   | N/A            |
| Income controls                                 | E                     | Expected Income was fully received and properly recorded.                   | However I would recommend that Grants received are carefully scrutinised and are within the rules on application | N/A            |
| Petty cash controls                             | F                     | Petty cash was not operated by the Council.                                 | None   | N/A            |

| Process          | Annual Return Section | Findings  | Recommendations | Action Planned |
|------------------|-----------------------|---|-----------------|----------------|
| Payroll controls | G                     | Salaries to employees and allowances to members were paid in accordance with council approvals. PAYE and NI requirements were properly applied. | None            | N/A            |
| Asset Controls   | H                     | The Asset register has correctly recorded all material Assets. The correct basis of valuation has been applied.                                 | None            | N/A            |
| Asset Controls   | H                     | Additions in the year have been correctly recorded within the Cash Book and Register  | None            | N/A            |
| Asset Controls   | H                     | All appropriate Deeds and Titles have been established and shown on the Register.   | None            | N/A            |

| Process                     | Annual Return Section | Findings  | Recommendations | Action Planned |
|-----------------------------|-----------------------|---|-----------------|----------------|
| Bank Reconciliations        | I                     | Periodic and year-end bank account reconciliations were properly carried out.             | None            | N/A            |
| Accounting Statements       | J                     | Correct accounting basis used and reconciled to the Cash Book.<br><br>Receipts & Payments | None            | N/A            |
| Trust Funds (if applicable) | K                     | The Parish Council does operate as a Trustee for any external body.                       | None            | N/A            |



| Process   | Criteria             | Findings   | Recommendations   | Action Planned |
|---|----------------------|--|---|----------------|
| <p>Review of Internal audit action plan has been considered and actioned?</p> | <p>Good Practice</p> | <p>Recommendations were made in the previous year 2015/16.<br/><br/>Budget not published on the Web-Site</p> | <p>None<br/><br/>I have no practical recommendation to make on this matter.</p> | <p>N/A</p>     |



| Process  | Criteria             | Findings  | Recommendations  | Action Planned |
|--|----------------------|---|--|----------------|
| <p>External Audit recommendations have been considered and actioned.</p> | <p>Good Practice</p> | <p>Recommendations made in the previous year 2015/16.</p>   | <p>None</p>  | <p>N/A</p>     |
|  |                      | <p>Risk Assessment not carried out, adopted and or minuted in the year.</p>                                     | <p>Completed this year.</p>  | <p>N/A</p>     |
|  |                      | <p>The value of Assets overstated</p>   | <p>Corrected this year.</p>  | <p>N/A</p>     |
|  |                      | <p>Review and acceptance of Budget not carried out.</p>   | <p>None, completed this year</p>   |                |
|  |                      | <p>Budget procedures not adequate.</p>  | <p>Carried forward to this year.(Please see my recommendation above)</p>                     |                |
|  |                      | <p>Internal Controls not being carried out with regard to Invoice authorisations and Bank Reconciliation's.</p> | <p>Corrected this year. A Bank reconciliation template has been sent to the Parish Clerk</p> |                |

| Process  | Criteria   | Findings  | Recommendations | Action Planned |
|--|--|---|-----------------|----------------|
| Accounting Statements agreed and reconciled to the Annual Return | <p>Section 1 of the Annual Return</p> <p>Part 1 of the Annual return is complete and accurate and reconciles to the statement of accounts.</p> | <p>The accounting statements in this annual return present fairly the financial position of the council and its income and expenditure.</p> | None            | N/A            |

| Process                               | Criteria   | Findings  | Recommendations | Action Planned |
|---------------------------------------|--|-----------|-----------------|----------------|
| Compliance with the Transparency Act. | <p>1) Expenditure over £100 is recorded on the Council Web-Site and with all information requirements.</p> <p>2) Annual Return published on the Web-Site.</p> <p>3) Explanation of significant variances.</p> <p>4) Explanation of difference between Box 7 &amp; 8 if applicable.</p> <p>5) Annual Governance Statement recorded.</p> | Compliant | None            | N/A            |

| Process                                       | Criteria  | Findings  | Recommendations | Action Planned |
|---|---|-----------|-----------------|----------------|
| Compliance with the Transparency Act. (Contd) | <ol style="list-style-type: none"> <li>1) Internal Audit Report Published.</li> <li>2) A List of Councillors responsibilities.</li> <li>3) Details of Public Land and Building Assets.</li> <li>4) Minutes &amp; Agendas</li> </ol> | Compliant | None            | N/A            |
|   |   | Compliant | None            | N/A            |
|   |   | Compliant | None            | N/A            |
|   |   | Compliant | None            | N/A            |

# Internal Auditors Summary Report

Leaffield Parish Council has an electorate in the region of 548, and the precept for 2016/17 was set at £34,024.

Overall, the Council has sound arrangements in place to satisfy itself that its systems of internal financial control are both adequate and effective. There are approval and authorisation controls and there is a clear audit and management trail for financial transactions.

**Phil Hood**  
**Arrow Accounting**  
**(Internal Audit)**  
**3<sup>rd</sup> July 2017**





| Process                             | Criteria                  | Findings   | Recommendations  | Action Planned |
|-------------------------------------|---------------------------|--|--|----------------|
| <p>Review of Internal Controls.</p> | <p>1) Risk Assessment</p> | <p>During the course of the Audit, it became apparent that certain Risk Areas had been highlighted, documented but not followed through in terms of Risk action and coverage.</p> <p>I would point to the Pavilion and associated buildings in terms of both Fire safety and the storage of Parish historical records.</p> <p>I would venture to suggest that the method of storage which is in operation at present falls far short of both security and the restriction of access.</p> <p>I am also in doubt as to the whether the Insurance is compromised in terms of Fire safety compliance</p> <p>The Risk Assessment is an action document that should be</p> | <p>Recommend that remedial action on this and any other identified risks are carried out</p> |                |