

Internal Audit Report to Ilkley Parish Council

Date of Visit 14th September 2016

Introduction

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

The basis of my audit work plan is based on a mutually agreed rolling programme of tasks to be completed at each visit. This programme is not static and will be continually supplemented to address future challenges faced by the Parish Council.

At each audit I will list my previous recommendations in the current report and these will be the first items reviewed at the following audit.

Recommendations from Internal Audit 26/05/2016

- Chairman's badge to be added to the inventory- now added
- Transfer of the allotments from Bradford Council- I noted that my report had been discussed at council reference 1617/66 14.1 and that the issue has been highlighted. Hopefully by next visit in January 2017 this matter will have been fully resolved. This item will go forward as a recommendation for the next audit.
- Internal Control Documentation to be put on the web site – now completed.
- The Council's responsibility as Trustee for Darwin Gardens – this matter is now in hand and will continue to be an area of future audit examination.

The Audit 14/09/2016

Internal Audit Programme
Areas to be examined

1. External Audit- Completed Annual Return
2. Mid-year financial check of income and expenditure transactions
3. VAT examination
4. Salary examination (SLA Bradford council)
5. Appraisal and staff training discussion
6. Petty Cash

1 External Audit- Annual Return 2015/16

The Annual Return has now been returned by the council's external auditors PKF Littlejohn LLP. The return will need to be put on the web site before the deadline date of the 30th of September.

There was a comment on the return from the external auditor regarding the timing of the completion of the return and the date of the accounts being available for public

inspection. This was because the date stated was the 6th of June for both actions and was the date of the parish meeting when the Annual Return was discussed and approved.

I felt assured that the reason for this was understandable and that the accounts having examined them on my visit of the 26th of May were properly completed and available for public scrutiny if required. Therefore I did not feel that this statement was material in my view.

2. Mid-Year financial check of income and expenditure transactions

All financial transactions were from 1st of April 2016 to the 31st of August were examined as far as possible as the May 2016 bank statement was missing. The following were queries raised during this process and discussed with Clare.

- Not all cancelled cheques are retained, whenever possible all cancelled cheques should be retained with cancelled noted across them and kept on file.
- A brass plaque was purchased costing £678 and has not as yet been placed on the inventory.
- The Town Crier Isabel Ashman is paid both an honorarium and expenses which suggests that she is an employee. However her terms and conditions state that she is not an employee. There are not any grey areas when it comes to employment law and therefore this needs clarification. Either Isabel is employed by the Parish Council or she is self-employed. This is to ensure that there is no evasion of tax. If it is thought that for the hours worked that Isabel would be better being classed as self-employed then she will need to invoice the Parish Council for her payment. There would have to be of an arrangement in writing for the hire/loan of the regalia.
- An important process when completing an audit of the accounts is the production of a bank reconciliation which reconciles the cash book and the amount of funds in the bank account. When examining the bank reconciliation documents I noted that only April 2016 from the current financial year had been properly completed by members. This is an important control which evidences that the Parish Council as a corporate body is fully aware of the current financial status of the accounts. It is important therefore that when Clare in her role as RFO produces them for each meeting that they are examined and signed by members once they have ascertained that they are correct. I would ask members that they ensure that this task is completed at every meeting and not to leave without doing this.
- When looking at the income I noted that in conversation with Clare that there is not an exact methodology for ensuring that all allotment plots are of a set size and therefore that there is a fair pricing policy. I understand that the Parish Council have inherited this state of affairs and that as there is such a long waiting list that as current plot holders give up plots that they are consequently sub divided. It may be a good idea especially bearing in mind that the Parish Council is to soon take full ownership of the site that at some point this area is looked at? By looking at the bigger picture there may be scope for further income generation with an added bonus that all plot holders are charged fairly on the basis of the size of their plot.

3. VAT Examination

In the current financial year there have been three VAT reimbursements received totalling £8,272.81. £5,901.33 of this was for expenditure for 2015/16 which had been taken forward as an asset.

All VAT in my transaction testing had been correctly dealt with. I noted in conversation with Clare that the threshold could be reached for charging VAT owing to the sale of tickets for the Concert on the Grove. However discussions were currently underway to look at this being a free event in the future which would alleviate any potential problems in relation to VAT registration requirements. Clare has recently been on a VAT course and therefore is up to date with all the necessary legislation and guidance.

4. Salary Examination (SLA Bradford Council)

I last looked at this in September 2015 and found the same agreement albeit updated. The cost per year is £138 which I think is value for money and gives the Parish Council assurance that all aspects of employment criteria are properly considered.

5. Appraisal and staff training discussion

I am satisfied that Clare and her team have adequate training, since my last visit Clare has attended VAT training and is soon to attend Charitable Trust and Finance training. She is also to attend the SLCC conference in November. I can conclude from this that after obtaining CiLCA that Clare is continuing her CPD. It is unfortunate that Diane is leaving and the Parish Council will need to go through the process of recruiting and training another employee.

6. Petty Cash

This area was examined and found to be satisfactory.

Other matters discussed at the audit

Clare has had some feedback from the YLCA regarding the Local Council Award. Apparently as the Parish Council are using the Bradford Council forms for the register of councillor's interests, although the forms are the same the Parish Council must adapt one for its own use. This is time consuming as members all need to complete new forms.

Conclusion

I consider that Ilkley Parish Council is an effective council with good working practices. My next visit will be in January 2017.

Listed below are the recommendations not in order of importance but in the order of work completion. All recommendations have been discussed and agreed with Clare.

- Copies of all cancelled cheques to be retained whenever possible.
- Recent purchase of brass plaque to be added to the inventory.
- Employment status of the Town Crier to be clarified and the necessary action taken.
- Bank reconciliations to be properly evidenced and authorised by members at each relevant council meeting.
- Consideration of a future project to ensure that there is a consistent and fair methodology for the charging for allotment plots. This will involve a re-measuring exercise which I feel will be particularly useful for when the Parish Council has ownership of the site.
- At my next visit in January 2017 I will monitor the progress of the transfer of ownership of the allotments to the Parish Council. It is hoped that this exercise will have been completed.

I hope that this is satisfactory and I would like to thank Clare for her help throughout the audit process.

Diane Brown- Internal Auditor Ilkley Parish Council