

## Internal Audit Report to Ilkley Parish Council

### Date of Visit 28<sup>th</sup> of September 2015

#### 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.

This was my second internal audit visit and in my earlier visit I agreed with Clare a work programme which over each financial year audited will result in a thorough and robust examination of the policies, procedures and systems in place at Ilkley Parish Council.

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

#### Recommendations from Internal Audit 18/06/2015

1. Financial system package- what is the best way forward after Clare has completed her research- since my last visit Clare has completed her research and the new financial package is in place. Clare went through the system with me clearly this is an improvement on the last system in that it is easier to understand and therefore use.

2. Introduction of an improved check for the bank reconciliation- this is now in place and is a useful control. Clare agreed to further enhance it by adding her own signature to state prepared by and putting certified on the signature element for the Chair. When signing a document such as this the Chair is certifying that this document is correct.

3. Bi annual check of the newly introduced Internal Control Document – this is to be carried out at the end of September.

4. Annual physical check of the Asset Register – this will be carried out at the year end.

5. Appraisal to be carried out for Clare as soon as possible- The Chair has completed Clare's appraisal. However it has yet to be documented, an appraisal is not finished until it has been written up detailing the conversation with targets and training identified. It should be then signed by both parties and retained as a starting point for the next appraisal.

6. Three quotes obtained for Insurance Renewal – the insurance is not due until the 1<sup>st</sup> of April and this recommendation will be rolled forward.

#### The Audit

##### Work completed

##### 1. Midyear operational financial check to include income/expenditure transaction testing.

Transaction testing from April 2015 to September 2015 was completed satisfactorily, the expenditure audit covered cheque numbers 2852 to 2960. The income transaction testing covered the same time period. I also carried out bank reconciliation as at the last bank statement received which was dated 26.08.2015 and found it to be correct. There is an excellent audit trail in place and I found that Clare's way of working is effective and in my view should give the Parish Council assurance that its financial affairs are properly managed. It was agreed that a further

improvement to an already excellent system would be to add prepared by and signed by the Parish Clerk on the schedule of monthly payments with the addition of certified by the Chair 's signature. This is simply further proof of a robust system and something that auditors like me like to see.

Whilst completing the bank reconciliation I noted that there had been a change in the banking arrangements and that the Parish Council is no longer receiving interest on its savings. The previous reserve account with the Yorkshire Bank has been changed to a Club and Societies Account and attracts no interest. Ilkley Parish Council is a Government organisation and is not a Club or Society and can therefore accrue interest.

The Yorkshire Bank is not acting properly and has given the Parish Council incorrect advice and this should be challenged. It is unimaginable that a Local Authority such as Bradford or Sheffield should not be allowed an interest earning account! A Parish Council is governed in the same way but on a smaller scale. This should be addressed as soon as possible.

Consideration should be given once this has been completed to maximising interest and deciding how much should remain in the current account. It would be useful to ascertain how much this should ideally should be and move more monies to an interest earning account.

## 2. Examination of Financial Systems and procedures.

Clare and I discussed this in detail and agreed that it would be good practice for Diane as deputy clerk to complete some work shadowing for the financial aspects of Clare's role. This would help with Diane's development as I had noticed that she had been on a Finance Course and would help the Parish Council as Diane could cover for Clare should this be needed. It was also agreed that the compilation of procedural notes of systems in place was also a good idea and could be completed as and when Clare's work load allowed.

I think that it is also a good time for the Parish Council to consider on line banking. It would be a good start for this journey if the Clerk was able to access on line- bank statements? Currently she has to ring the bank to ask for this information, it would be a great improvement to simply log on when needed to check the balance especially as the Parish Council operates such an up to date financial system.

When looking at the Parish Council budgets I noted that there was no evidence of virements. I am happy that the PC has a good budget setting system, however in year budgets change as the financial year progresses. It is not good accounting practice in my view to have greatly over and underspent budgets at the year end. One of the advantages of the new system is that it can produce reports which state the percentage spend against budget headings. From viewing the latest budget report I could see that some budgets were already overspent and the Parish Council needed to vire between budgets. September is the mid-year point of a financial year and is an ideal time to carry out a budget review. It was further discussed with Clare that the two councillors with financial responsibilities should have the review of budgets added to their terms of reference. All virements of course would need to be agreed by the council before being actioned.

## 3. VAT Examination

The VAT reimbursement of £500.35 completed earlier in the financial year was examined and found to be satisfactory. I have no recommendations to make which would improve this area.

#### 4. Petty Cash

The petty cash system and transactions at the date of audit were examined and found to be satisfactory. There was an extra 70p in the tin which is not material. I have no recommendations to make which would improve this area.

#### 5. Salary SLA with Bradford Council

This was examined and found to be satisfactory.

#### 6. Appraisal Discussion

This item was also a recommendation from my previous audit, although Clare has now had an appraisal it has not been written up as yet and it needs to be whilst the conclusions reached can be remembered! The Deputy clerk Diane is to have her first appraisal in November, she has had her first review which has been documented so that I was able to examine it and I found it to be satisfactory.

#### Conclusions

I found that the financial systems operated by Clare were very easy to follow and a joy to audit which is not something I find very often! I had intended to complete sample transaction testing only but as the information needed was so readily available I examined every transaction and found no errors which again is unusual. Well done Clare!

The new financial system, RBS, is very good and I found the reports it produced very user friendly.

As I completed the audit I did find some recommendations for improvement which are listed below.

- Writing up of Clare's appraisal.
- Work shadowing for the financial aspects of Clare's role for Diane when convenient.
- The start of the compilation of procedural notes when workloads permit.
- Schedule of payments form to include prepared by for Clare's signature and certified by for the Chair's current signature. The bank reconciliation form should also be treated in the same way.
- Bank Interest, this needs to be changed as soon as possible as the Yorkshire Bank have not advised the Parish Council correctly.
- Consideration should be given to increasing the amount invested once an interest account has been re-opened.
- On line banking should be considered and a useful start would be to allow the Clerk to access the balances held for information purposes.
- A system for budget virements to ensure that budgets are kept up to date and fit for purpose.

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

Diane Brown  
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