1. Introduction

The Parish Clerk has requested that I perform an internal audit for the Parish Council. In doing so I have referred to the Joint Practitioners Advisory Group (JPAG) document: “Governance & Accountability for Local Councils a practitioners guide (England) 2014”.

I perform this audit as a layman who was previously a parish councillor. I do not hold any qualifications in accountancy, however I would judge that I do fulfil the criteria for internal auditor as laid out in paragraph 2.70 of the Practitioners guide 2014:

“There is no requirement for a person providing the internal audit role to be professionally qualified, but essential competencies to be sought from any internal audit service include:

- Understanding basic bookkeeping and accounting processes;
- Understanding the role of internal audit in reviewing systems rather than undertaking detailed checks that are more appropriately the responsibility of management;
- Awareness of relevant risk management issues; and
- Understanding accounting requirements within the legal framework and powers of local councils.”

I have approached the audit using appendix 9 of the Practitioners Guide 2014 as a template. The appendix lists 10 key audit control tests which represent the minimum level of internal audit coverage required. These 10 tests form the basis of section 4 of the Audit Commission “Local Councils in England Annual Return” which I have completed and returned to the Parish Clerk. Any recommendation below relate to deviations from the appendix 9 document.

2. Audit findings

<table>
<thead>
<tr>
<th>Internal control</th>
<th>Reported findings</th>
</tr>
</thead>
</table>
| Proper Bookkeeping | The accounts book is very well maintained and up to date.  
|                   | The cashbook is arithmetically correct.  
|                   | The cashbook is balanced yearly |
| **Recommendations: Nil** |
| 1. Standing orders & financial regulations adopted & applied; and  
| b) Payment controls | The Council has formally adopted Standing Orders and Financial Regulations and these are available to the public on the Parish Council’s website.  
|                   | The Council has appointed the Parish Clerk as Responsible Financial Officer (RFO) with duties outlined in the “Scamblesby Parish Council Financial Regulations”  
|                   | During the year there were no purchases of a size that required competitive tendering.  
|                   | Payments are supported by invoices.  
|                   | VAT on payments has been identified, recorded and reclaimed.  
|                   | Section 137 of the Local Government Act 1972: The Parish Clerk has verbally identified two charitable payments which fall within this category. These payments are within the statutory limit for the financial year. As with previous financial years, no payments within |
this category have been identified in the cash book and the Parish Council has no other mechanism for declaring and tracking Section 137 payments. **Recommendations:** The Parish Council should declare and track Section 137 payments in future. This could easily be achieved by creating a new column within the cash book with the heading “section 137”.

### 3. Risk management arrangements
- No unusual financial activity has been identified.
- The Parish Council reviewed their Risk Assessment Schedule in December 2014
- Insurance cover is appropriate and adequate.
- Internal financial controls are documented in the form of the “Scamblesby Parish Council Financial Regulations 2011”. This document has been reviewed by the Parish Council during the financial year 2014/2015.

**Recommendations:** Nil

### 4. Budgetary controls
- Paragraph 3.31 of the Practitioners Guide (page 61) states: “The preparation of an annual budget is one of the key statutory tasks to be undertaken by a local council, irrespective of its size. The budget has three main purposes:
  - It results in the council setting the precept for the year;
  - Subject to the council’s Financial Regulations, it gives the clerk and other officers overall authority to make spending commitments in accordance with the plans approved by members; and
  - It provides a basis for monitoring progress during the year by comparing actual spending against planned spending”

The budgetary process used by Scamblesby Parish Council is informal and not in line with the above. The income and outgoings of the Council are few and the Council’s informal process does seem to work effectively. However, a formally prepared budget would allow documentary evidence that the precept was set on a logical basis. It would provide councillors with reassurance that the budget was being met during the financial year. It would provide evidence for members of the public and auditors that a proper process is being followed.

- Actual expenditure is regularly reported at Parish Council Meetings.

**Recommendations:** A formal budget should be prepared at the time of the setting of the precept and progress against the budget should be reviewed regularly when expenditure is reported to the Parish Council Meetings.

### 5. Income controls
- Income was properly recorded and promptly banked
- The precept recorded agrees with the Council Tax Authority’s notification
- There have been no cash payments. Cash controls appear to be adequate.

**Recommendations:** Nil

### 6. Petty cash procedures
- The Council does not hold a petty cash pot. Small items like stamps are bought by the Clerk with receipts and reimbursed by cheque. The sums involved here are very small and this seems a safe and appropriate way of managing small purchases.
- All expenditure is reported at each council meeting.

**Recommendations:** Nil
7. **Payroll controls**

- The only employee is the Parish Clerk, who has a contract of employment.
- The salary paid agrees with that approved by the council.
- Other payments to the employee are covered under petty cash reimbursement above.
- PAYE/NIC has been properly operated by the council as an employer. There is currently an unresolved query raised with HMRC relating to possible overpayment or underpayment of tax. Documentary evidence of the query was presented to me along with the cash book. The sums involved do not appear to be large.

*Recommendations: Nil*

8. **Assets controls**

- There is an up to date Register of Assets together with valuation of those assets.
- A discrepancy between the valuation of the bus shelter for insurance purposes and its valuation for the Register of Assets is noted.

*Recommendations: Review the discrepancy above.*

9. **Bank Reconciliation**

- There is only one bank account held by the Council. This is fully reconciled annually and also reconciled regularly for Council Meetings. The number of transactions is small.
- There are no unexplained balancing entries in the reconciliation.

*Recommendations: Nil*

10. **Year-end procedures**

- The year-end accounts are prepared on the basis of Receipts & payments.
- Accounts agree with the cashbook.
- An audit trail exists from underlying financial records and the accounts.
- Debtors and creditors are recorded.

*Recommendations: Nil*

Robert Scott  
Brookside farm  
Mill lane  
Scamblesby  
Near Louth  
Lincolnshire  
LN11 9XP