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5th June 2017

The Chairman
Cringelford Parish Council

Dear Sir,

Internal Audit for the year ended 31st March 2017

I thank the Council for re-appointing me to carry out the internal audit for the 2017 accounts. I remind you that, according to the Local Councils' Governance and Accountability Guidance, the purpose of internal audit is to review whether the systems of financial and other control are effective; neither the internal nor the external auditor can be expected to look for fraud. I do not give an opinion on the accounts, I am required to review controls and give recommendations.

I attended the Town Council offices on 30th and 31st May 2017 and carried out the following work on the Council's books and records:

- 1. Proper Bookkeeping:**
 - checked a sample of payments from the minutes and the cashbook to invoices, including all large amounts
 - completed a sample of receipts from cash book to supporting documentation
 - reviewed VAT documentation
- 2. Financial Regulations:**
 - reviewed S.137 payments to ensure under limit
 - Financial Regulations were reviewed by the Council in February 2016
 - Standing Orders were amended in October 2015
- 3. Risk Arrangements:**
 - reviewed minutes for unusual items
 - the risk assessment was reviewed regularly by the Finance Advisory Group and was last adopted in May 2017
- 4. Budgetary Controls:**
 - reviewed budget
 - regular comparisons carried out of actual spending to budget figures
 - the precept has been increased to meet expected expenditure
- 5. Income Controls:**

- reviewed receipt of precept
 - reviewed significant income during year
 - discussed systems for processing letting income
- 6. Petty Cash**
- petty cash is not used much; mainly for tractor fuel and office sundries
- 7. Payroll Controls:**
- payroll is outsourced
 - checked some of the tax calculations and pension payments for reasonableness
- 8. Asset Controls:**
- reviewed asset register values, which are based on insurance schedule and/or cost
 - reviewed minutes for significant additions
 - checked additions to supporting documentation
- 9. Bank Reconciliation:**
- ensured carried out regularly
- 10. Year-end Procedures:**
- reviewed year-end bank reconciliation
 - reviewed accounts and nominal ledger for unusual items
 - annual return prepared using income and expenditure method
 - checked large creditors and debtors to supporting documentation
 - discussed year-end VAT total

The above tests and review work showed the accounts are supported by invoices and receipts and agree to year-end bank statements, and that the Council is actively involved in monitoring spending and income. I have discussed a few minor issues with Sonya.

I have signed the internal auditor's part of the Annual Return.

I make the following comments:

- 1. VAT**
The Council has not elected to tax the income from the Willow Centre. The Council is therefore only able to reclaim VAT on expenses relating to the Willow Centre where the VAT on these expenses falls below a de minimis figure of £625 per month, on average, i.e. less than £7,500 for the year. I can see that Sonya has worked hard to identify the VAT on expenses relating to the Willow Centre so as to check this figure. I am not a VAT specialist, and have no experience of this calculation myself, so, other than checking that Sonya has gone through this process, I have not checked the calculations. I have checked that VAT on a sample of payments has been correctly separated in the accounts. The VAT returns are done quarterly.
- 2. Risk**
I note that the Council has identified that there is a risk from the cash based nature of some of the lettings. It is not possible for me to check that letting

income is complete. There appears to be a good system of the use of a diary, with invoices cross-referenced to the diary bookings. The Council can only really check that payment for regular bookings is received and investigate reasons for any apparent drop in letting fees.

3. Controls

The Finance Regulations state that the two councillors who sign the invoice should also initial the cheque stubs to indicate that they have checked that the name on the cheque stub is the same as that on the cheque. This is not always done at present.

I should like to take the opportunity to thank Sonya for her hospitality and for her assistance with the year-end paperwork. Sonya would like to book an interim audit in early December so as to reduce the time needed for the final audit next May.

Yours faithfully,

Pauline James

Pauline James BA,
Cert of Higher Education in Community Engagement and Governance