

INTERNAL AUDIT REPORT – 2017/18
CHORLEY PARISH COUNCIL

The internal audit of Chorley Parish Council was carried out by undertaking the following tests as specified in the Annual Return for Local Councils in England and Wales:

- Checking that books of account have been properly kept throughout the year
- Checking a sample of payments to ensure that the Council's financial regulations have been met, payments are supported by invoices, expenditure is approved, and VAT is correctly accounted for
- Reviewing the Council's risk assessment and ensuring that adequate arrangements are in place to manage all identified risks
- Verifying that the annual precept request is the result of a proper budgetary process; that budget progress has been regularly monitored and that the council's reserves are appropriate
- Checking income records to ensure that the correct price has been charged, income has been received, recorded and promptly banked and VAT is correctly accounted for
- Reviewing petty cash records to ensure payments are supported by receipts, expenditure is approved and VAT is correctly accounted for
- Checking that salaries to employees have been paid in accordance with Council approvals and that PAYE and NI requirements have been properly applied
- Checking the accuracy of the asset and investments registers
- Testing the accuracy and timeliness of periodic and year-end bank account reconciliation(s)
- Year end testing on the accuracy and completeness of the financial statements

Conclusion

On the basis of the internal audit work carried out, which was limited to the tests indicated above, in our view the council's system of internal controls is in place, adequate for the purpose intended and effective, subject to the recommendations reported in the action plan overleaf.

As part of the internal audit work for the next financial year we will follow up all recommendations included in the action plan.



J D H Business Services Ltd

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	ISSUE	RECOMMENDATION	FOLLOW UP
1	The minutes for 2017/18 do not record a review and update of a risk assessment document. The risk assessment on file is very basic and does not cover all the internal control and other risks relevant to the council.	<i>The council should complete a comprehensive risk assessment and review, update, and approve this document annually and record this approval in the minutes.</i>	
2016/17 audit			
1	The Financial Regulations provided for audit also had 'Standing Orders' written on them. These Financial Regulations are not a substitute for Standing Orders, which need to be in place	<i>The council should secure NALC model Standing Orders, align them to the scope of the council, and adopt Standing Orders</i>	Implemented at April 2018 meeting
2	<p>The budget provided in support of the precept request took full account of projected income and expenditure, however, there was no account of brought forward and carried forward reserves.</p> <p>The Local Government Finance Act 1992 sets out the requirements that the council must follow when setting the precept.</p>	<i>The levels of brought forward and carried forward reserves need to be considered when setting the precept and evidenced in the precept budget calculations</i>	Recommendation outstanding

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3	From 2016/17 onwards we are also reviewing compliance with the Transparency Code for Smaller Authorities. We have reviewed the information published on the website and the council is currently complying with the Code requirements.		
2015/16 audit			
1	Carried forward reserves are 139% of annual expenditure. No earmarked reserves are identified in the supporting notes to the accounts. Sector guidance notes that general reserves should be between 3 months and 12 months annual expenditure	<i>Council should review the level of reserves and where elements relates to sums set aside for community improvement schemes, earmarked reserves should be established. The remaining general reserves should then be reviewed for reasonableness with reference to the sector guidance</i>	The excess reserves are maintained to cover potential street lighting costs
2	The following documents were not provided for audit review: <ul style="list-style-type: none">• Standing Orders• Full Insurance Policy• Contract of employments	<i>Please provide these documents for review for the next audit year</i>	Implemented except for Standing Orders. See 2016.17 issues 2017/18 follow up implemented April 2018
3	The bank reconciliation provided for audit used the bank balance as at 05/10/15	<i>The bank should be required at the end of each financial year to provide bank statements on a timely basis so the council can evidence its year end balances.</i> <i>Please ensure the bank reconciliation provided to external audit reconciles the balances as at 31/3/15.</i>	Implemented
2014/15 audit			
1	The bank reconciliation provided for	<i>Please ensure the bank reconciliation</i>	See 2015/16 issues

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	audit used the balance as at 30/3/15 as the statement showing the 31/3/15 balance had not been received.	<i>provided to external audit reconciles the balances as at 31/3/15.</i>	
	Guidance note for 2015/16 An area of potential risk for the Council in 2015/16 is ensuring they meet the requirements of The Pensions Regulator with respect to auto enrolment, or they may face fines. Even if staff are not eligible to be auto enrolled into a pension scheme, the Council may still have to complete a declaration of compliance.	<i>The Council should review this risk if they have not already done so and ensure they meet any requirements of The Pensions Regulator.</i> <i>See www.thepensionsregulator.gov.uk for further information.</i>	Noted
2013/14 issues			
1	No evidence that a VAT reclaim has been submitted and no VAT refund was received during the year.	<i>The council should ensure VAT reclaims are submitted on a timely basis</i>	Implemented
2013/13 issues			
1	No issues arising from internal audit – a robust set of books and records has been maintained throughout the financial year		

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