

INTERNAL AUDIT CHECKLIST

Council: Porlock Parish Council

Date: 25th April 2023

Appropriate accounting records have been properly kept throughout the year AND Periodic bank account reconciliations were properly carried out during the year		
REVIEW	COMMENT	Action Required
Ensure the correct roll forward figures of the prior year's cashbook balances to the new financial year.	All in order. AGAR starting balance being restated following liaison with PKF.	
Check a sample of financial transactions in cashbooks to bank statements, etc: the sample size dependent on the size of the authority and nature of accounting records maintained.	All in order. Samples checked and correct.	
Ensure that bank reconciliations are prepared routinely, are subject to independent scrutiny and sign-off by members.	Regular reconciliations are now being presented to Full Council and signed off. This has been introduced within the last 4 months.	
Verify the accuracy of the year-end bank reconciliation detail and ensure accurate disclosure of the combined cash and bank balances in the AGAR, section 2, line 8.	End of year reconciliation has been checked.	
Where the authority has bank balances in excess of £100,000 it has an appropriate investment strategy.	Balances are currently over £100,000. There is a Treasury Stock Bond in place.	Council needs to review its balances and place some money into short term investments initially to take advantage of current interest rates.

This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT appropriately accounted for.		
REVIEW	COMMENT	Action Required
Review the procedures in place for acquisition of formal tenders and quotes, ensuring they	Grounds maintenance and toilet cleaning. Recommendation to extended this to 31 st March 2024 to be considered by Council.	Recommend that Council considers the extension of the grounds and toilet maintenance contract.

This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT appropriately accounted for.

REVIEW	COMMENT	Action Required
are in line with the SOs and FRs which should be based on the latest version.		
Ensure that consistent values are in place for the acquisition of formal tenders between SOs and FRs (frequently different limits are recorded in the two documents)	Standing Orders and Financial Regulations have recently been reviewed (February 2023). Limits match.	Continue to review FRs and SOs annually at the May meeting.
Review the procedures for receipt of invoices, agreement of invoice detail and confirmation of goods/services delivery and approval for payment: ideally, a suitably designed certification stamp should be in place providing for evidencing of these checks and payment authorisation.	All in order.	
Check that there is effective segregation between the writing of cheques or the setting up of online payments, and physical release of payments.	All in order. RFO sets up payments and two Councillors authorise.	
Check that VAT reclaims are prepared and submitted in a timely manner in line with the underlying records and in accordance with current HMRC requirements	VAT claimed regularly.	
Where debit / credit cards are in use, establish the total monthly and individual transaction limits and ensure appropriate controls over physical security and usage of the cards are in place	Not in use at present. Council is discontinuing its Petty Cash account and has applied for a Council Unity Credit Card.	

This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

REVIEW	COMMENT	Action Required
Ensure that authorities have prepared, and formally adopted, at least once annually, an	A Risk Register is in place and adopted in February 2023.	

This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

REVIEW	COMMENT	Action Required
appropriate and comprehensive register of assessed risks, both regular and ad hoc.		
Ensure that appropriate levels of insurance cover are in place for land, buildings, public, employers' and hirers' (where applicable) liability, fidelity / employees (including councillors) liability, business interruption and cyber security.	Insurance policy is in place. It has been identified that there are items still being insured that no longer belong to the Council.	<p>Recommend a valuation of replacement costs of all buildings be undertaken following recent increases in raw materials.</p> <p>Recommend that a meeting with Council's insurers be arranged to review the current policy and delete items that are currently insured but no longer relevant.</p>
Ensure that appropriate arrangements are in place for monitoring play areas, open spaces and sports pitches: such reviews should be undertaken by appropriately qualified external inspectors or, if by officers or members, that they have received the appropriate training and accreditation.	Council is not responsible for any play equipment.	
Review the effectiveness of internal control carried out by the authority.	A review of Internal Controls has been undertaken by the Locum RFO. This was approved by Full Council in December 2022 and provides an action plan to improve governance. Council has also responded to the document and approved it that.	Recommend that the actions identified in this review continue to be implemented and that an Internal Controls document be developed and adopted.

The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

REVIEW	COMMENT	Action Required
Ensure that the full Authority, not a committee, has considered, approved and adopted the annual precept for the coming year in accordance with the required parent Authority timetable.	All in order.	

The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.		
Ensure that current year budget reports are prepared and submitted to Authority / Committees periodically during the year with appropriate commentary on any significant variances.	These are provided regularly from the Rialtas software programme. Agreement is minuted.	
Review the budget performance either during the year or at the financial year-end seeking explanations for any significant or unanticipated variances.	Provided regularly and minuted accordingly.	
Ensure that the Authority has considered the establishment of specific earmarked reserves and, ideally, reviews them annually as part of the budget assessment process	Earmarked reserves are in place (EMRs)	
Ensure that the precept received in the accounts matches the prior year submission form to the relevant authority and the public record of precepted amounts .	All in order.	

Expected income was fully received based on correct prices, properly recorded and promptly banked; and VAT appropriately accounted for.		
REVIEW	COMMENT	Action Required
Review "Aged debtor" listings to ensure appropriate follow up action is in place.	No aged debtors identified.	
Allotments: ensure that appropriate signed tenancy agreements exist, that an appropriate register of tenants is maintained identifying, that debtors are monitored.	N/A	
Burials: ensure that a formal burial register is maintained that it is up-to-date and that a sample of interments and memorials are appropriately evidenced, that fees have been charged at the correct approved rate and been	Burial Register is in place and plots are available on the website.	Review burial fees (part of the annual cycle)

Expected income was fully received based on correct prices, properly recorded and promptly banked; and VAT appropriately accounted for.

REVIEW	COMMENT	Action Required
recovered within a reasonable time: (Authorities should also acquire and retain copies of Burial / Cremation certificates)		
Hall hire: ensure that an effective diary system for bookings is in place identifying the hirer, hire times and ideally cross-referenced to invoices raised.	N/A	
Leases: ensure that leases are reviewed in a timely manner in accordance with the terms of the lease and rents similarly reviewed appropriately at the due time.	Two leases. <ul style="list-style-type: none"> • Visitor Centre (going to be reviewed as part of annual cycle). • Doverly Manor lease (to be reviewed as now being run by management committee) 	
Other variable income streams: ensure that appropriate control procedures and documentation are in existence to provide a clear audit trail through to invoicing and recovery of all such income.	Appropriate controls are in place.	
Where amounts are receivable on set dates during the year, ensure that an appropriate control record is maintained duly identifying the date(s) on which income is due and actually received / banked.	All in order. Precept received on time and other income received regularly.	

Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.

REVIEW	COMMENT	Action Required
A number of authorities are now running down and closing their petty cash accounts and using debit / credit cards for ad hoc purchases. Consequently, a "Not covered" response is frequently required in this area.	Petty cash account is in place but being run down.	

Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.		
Review the systems in place for controlling any petty cash and also cash floats (used for bar, catering, etc).	All in order.	
Check a sample of transactions during the financial year to ensure appropriate supporting documentation is held.	All in order.	
Review the existence of evidenced periodic independent verification of the petty cash and any other cash floats held.	All in order.	
Ensure that VAT is identified wherever incurred and appropriate.	All in order.	
Physically check the petty cash and other cash floats held.	All in order.	
Where bar or catering facilities are in place, ensure that appropriate cashing-up procedures are in place reconciling the physical cash takings to the till "Z" total readings.	N/A	

Salaries to employees and allowances to members were paid in accordance with the authority's approvals, and PAYE and NI requirements were properly applied.		
REVIEW	COMMENT	Action Required
Ensure that, for all staff, a formal employment contract is in place together with a confirmatory letter setting out any changes to the contract.	All in order. A copy of the Clerk's contract has been provided and a copy of the recent incremental increase provided.	
Ensure that appropriate procedures are in place for the payment of members allowances and deduction of any tax liability	No Members allowances paid.	
Ensure that, for a sample of staff salaries, gross pay due is calculated in accordance with the approved spinal point on the NJC scale or hourly rate, if off-scale, and also with the contracted hours.	All in order. Three members of staff currently directly employed.	

Salaries to employees and allowances to members were paid in accordance with the authority's approvals, and PAYE and NI requirements were properly applied.		
Ensure that appropriate tax codes are being applied to each employee.	All in order.	
Where free or paid for software is used, ensure that it is up to date.	All in order.	
For the test sample of employees, ensure that tax is calculated appropriately.	All in order.	
Check the correct treatment of Pension contributions	All in order.	
For NI, ensure that the correct deduction and employer's contributions are applied: NB. The employers' allowance is not available to councils but may be used by other authorities	All in order.	
Ensure that the correct employers' pension percentage contribution is being applied	All in order.	
Ensure that for the test sample, the correct net pay is paid to the employee with tax, NI and pension contributions correctly paid to the respective agencies.	All in order.	

Asset and investment registers were complete and accurate and properly maintained. This section/assurance includes loans to or by the authority		
REVIEW	COMMENT	Action Required
Tangible Assets		
Ensure that the Authority is maintaining a formal asset register and updating it routinely to record new assets at historic cost price, net of VAT and removing any disposed of or no longer serviceable assets.	All in order. The asset register has been updated.	Recommend that the new asset register published on the website.
Physically verifying the existence and condition of high value, high risk assets may be appropriate.	All in order.	

Asset and investment registers were complete and accurate and properly maintained. This section/assurance includes loans to or by the authority

REVIEW	COMMENT	Action Required
The register should identify for each asset the purchase cost and, if practicable, the replacement/insured cost, the latter being updated annually and used to assist in forward planning for asset replacement.	Asset Register has been reviewed. It is comprehensive and up to date.	
Additions and disposals records should allow tracking from the prior year to the current.	All in order.	
Ensure that the asset value to be reported in the AGAR at section 2, line 9 equates to the prior year reported value, adjusted for the nominal value of any new acquisitions and / or disposals.	All in order.	
Compare the asset register with the insurance schedule to ensure that all assets as recorded are appropriately insured or “self-insured” by the Authority.	All in order.	
Fixed asset investments:		
Ensure that all long-term investments (i.e., those for more than 12 month terms) are covered by the “Investment Strategy” and reported as Assets in the AGAR at section 2, line 9.	All in order.	
Borrowing & Lending:		
Ensure that the authority has sought and obtained appropriate DMO approval for all loans acquired	N/A	
Ensured that the authority has accounted for the loan appropriately (i.e., recorded the full value of the loan. Any arrangement fee should be regarded as an admin expense) in the year of receipt.	N/A	

Asset and investment registers were complete and accurate and properly maintained. This section/assurance includes loans to or by the authority		
REVIEW	COMMENT	Action Required
Ensure that the combined principal loan repayment and interest for the year is correctly recorded in the AGAR at section 2 line 5	N/A	
Ensure that the outstanding loan liability as at 31 st March each year is correctly recorded in the AGAR at section 2, line 10 (value should be verified via the DMO website)	N/A	
Where the Authority has issued loans to local bodies, they should ideally seek signed indemnities from the recipient body, or their members, agreeing to underwrite the loan debt.	N/A	

Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cashbook, supported by an adequate audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded.		
REVIEW	COMMENT	Action Required
To ensure that the financial detail reported at section 2 of the AGAR reflects the detail in the accounting records maintained for the financial year.	All in order.	
Ensure that, where annual turnover exceeds £200,000, appropriate records are maintained throughout the year on an Income and Expenditure basis to facilitate budget reporting in that vein.	N/A	
Ensure that appropriate accounting arrangements are in place to account for debtors and creditors during the year and at the financial year-end.	All in order.	

If the authority certified itself as exempt from a limited assurance review in the prior year, it met the exemption criteria and correctly declared itself exempt.

REVIEW	COMMENT	Action Required
<p>Ensure that, all relevant criteria are met (receipts and payments each totalled less than £25,000)</p> <ul style="list-style-type: none"> the correct exemption certificate was prepared and minuted in accordance with the statutory submission deadline that it has been published, together with all required information on the Authority's website and noticeboard 	N/A	

The authority publishes information on a free to access website / web page, up to date at the time of the internal audit in accordance with the relevant legislation.

REVIEW	COMMENT	Action Required
Review the Authority's website ensuring that all required documentation is published in accordance with the relevant legislation.	All in order. List of documentation on the website is comprehensive.	

The authority, during the previous year, correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations.

REVIEW	COMMENT	Action Required
Examine a copy of the required "Public Notice" ensuring that it clearly identifies the statutory 30 working day period when the Authority's records are available for public inspection.	All in order.	
Check whether council has minuted the relevant dates at the same time as approving the AGAR	There are copies of the AGAR from 2018/19. A search for the previous AGAR has been undertaken but it has not been identified.	Due to the missing year the internal audit form has to answer No. Ensure that relevant documentation is uploaded onto the website for the current year.

The authority complied with the publication requirements for the prior year AGAR.

REVIEW	COMMENT	Action Required
Ensure that the statutory disclosure/publication requirements in relation to the prior year's AGAR have been met as detailed on the front page of the current year's AGAR.	The exercise of public rights during 22/23 is an "except for" matter raised by PKF. The Council did not include the first 10 working days of July in line with regulations although the notice period was still 30 days.	Recommend that this is addressed this year and that the correct requirements are observed.

Trust funds (including charitable) - the Council met its responsibilities as a trustee

REVIEW	COMMENT	Action Required
Confirm that all charities of which the council is a Trustee are up to date with CC filing requirements	N/A	
That the council is the sole trustee on the Charity Commission register	N/A	
That the council is acting in accordance with the Trust deed	N/A	
That the Charity meetings and accounts recorded separately from those of the council.	N/A	
Review the level and activity of the charity and where a risk based approach suggests such, review the Independent Examiners report .	N/A	

ADDITIONAL COMMENTS

Porlock Parish Council has worked very hard over the past few months to address a number of financial and governance shortcomings many of which were identified in the previous year's internal audit.

The weaknesses that were identified are being addressed by the Locum RFO and temporary Parish Clerk. An Annual Cycle has now been developed and is being added to and addressed as required.

Based on the limited internal audit carried out onsite the Council has made significant progress to address outstanding issues.

Paul Russell, 28/04/2023