

**INTERNAL AUDIT REPORT
PONTESBURY PARISH COUNCIL
2016/17**

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

- 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.

JDH Business Services Limited

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ACTION PLAN

	ISSUE	RECOMMENDATION	FOLLOW UP
1	The minutes do not indicate the empowering legislation used for the contribution to the principal council for library services	<i>The specific legal power should be described for all significant/unusual payments</i>	This is noted. The specific legal power used was Section 137 which gives Council the power to incur expenditure for purposes not otherwise authorised.
2	Advertising income is below £5000. Therefore, in recent financial years this source of income has not been consistently in excess of £5000. HMRC appear to apply a discretionary level of £5000 outputs to the strict rule in VAT Notice 749 regarding VAT registration for local councils.	<i>The council should monitor the levels of advertising income from year to year and if it is clear that the level will continually be in excess of £5000 the council should write to HMRC to query whether VAT registration is required</i>	NOTED.
2015/16 audit			
1	Cheque number 2623 for £668.92 was not approved in the minutes	<i>All payments should be approved in the minutes. The payment for cheque number 2623, if approved, should be retrospectively authorized in the next meeting.</i>	Council confirmed the payment was authorized in the 2015/16 minutes
2	Although a recent VAT claim was included with the books and records for audit this only covered 2015/16 VAT. The VAT for 2013/14 and 2014/15 of £4662.56 and £2013.07 respectively remains	<i>VAT should be reclaimed annually in future.</i>	Implemented