

ULLEY PARISH COUNCIL

Internal Audit Report 2017/18

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Background and Scope

The Accounts and Audit Arrangements introduced with effect from 1st April 2015 require all Town and Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. The Council complied with the requirements in the terms of independence from the Council decision making process appointing Voluntary Action Rotherham to provide an internal audit function to the Council; this report sets out those areas examined during the course of our investigation of the Council's Accounts and Accounting processes for 1st April 2017 to 31st March 2018.

Internal Audit Approach

The audit has been conducted in accordance with the direction of the Council set out in the approved minutes of the Council meeting held on 29 March 2017. The audit is not designed to identify all significant weaknesses in the Council's systems but, if such weaknesses come to our notice during the course of our examination, which we think should be brought to your attention; we shall report them to you.

The responsibility for the prevention and detection of fraud, error and non-compliance with law or regulations rests with the Council. The audit should not be relied upon to disclose all material misstatements or frauds, errors or instances of non-compliance as may exist.

In accordance with guidelines set out by the Governance and Accountability for Local Councils – practitioners' guide, our work plan consisted of an investigation to review whether the systems of financial and other controls over the Council's activities and operating procedures are effective. Areas covered by the testing included;

- Bookkeeping
- Adoption and application of standing orders and financial regulations
- Payment control
- Risk management arrangements
- Budgetary controls
- Income controls
- Petty cash procedures
- Payroll control
- Asset control
- Bank reconciliation
- Year-end procedures

Overall Conclusion

The Parish Council appointed a new Clerk in December 2017, this is the third Clerk in a period of 2 years, therefore the Council have struggled with consistency. My overall conclusion is some of the improvements made in the previous year have failed to continued. There are some areas where further improvements are required which I detail below.

The newly appointed Clerk has maintained a reasonable standard of record keeping. With the exception of a couple of transactions all the

receipts and payments were evidenced by appropriate documentation. Two payments were not included in the year-end figures, these have now been corrected and I have confidence that the figures lifted into the Statement of Accounts for the financial year ended 31st March 2018 are now accurate.

Detailed Report

Bookkeeping

A computerised cashbook is maintained and kept up-to-date. Two cheques had not been included in the cash book that relate to the current financial year, this in turn gave an incorrect bank reconciliation.

Standing orders and financial regulations

The model financial regulations have been adopted and approved on 3 December 2015. These were reviewed, amended and adopted on 31 January 2018. The standing orders were formally adopted in March 2015, these were due to be reviewed and amended in March 2018, however, the meeting wasn't quorate so they will now be taken to the May meeting.

Transparency code for smaller councils

Under the Transparency Code, for smaller authorities (December 2014), Parish Councils are required to publish a range of information on their website. Whilst the Council displays almost all of the required information, up to date information on items of expenditure over £100 and year end accounts is yet to be published.

Payment control

All payments are presented for approval at monthly Council meetings. The invoices made available for internal audit were not authorised by Councillors. I would suggest a Councillor(s) initial the invoices once viewed as a form of internal control. Payments are recorded on the computerised cashbook system where they are analysed into account headings based on the nature of expenditure.

During the period of this report there was no S.137 expenditure.

Value Added Tax (VAT) is separately identified in a column in the cashbook. VAT is reclaimed from Her Majesty's Revenue and Customs (HMRC) manually at least annually. VAT was incorrectly re-claimed for one large transaction due to input error. This will need to be adjusted during the next return.

Risk management arrangements

All financial activities are approved at monthly Council meetings, however, the minutes available via the website do not contain a summary of payments made during the period. A review of the financial controls and systems are carried out annually by the Council in the form of a Risk Assessment, amendments and recommendations are presented at Council meetings for discussion. The last review was

carried out in December 2015. It is recognised that this needs updating and the new Clerk/RFO will address this.

The Audit and Accounts regulations 2015, 6 (1) require an annual review of the effectiveness of internal control. This is aimed at strengthening the governance arrangements in public bodies. However, I saw no evidence of a review.

An annual independent review of financial controls and systems is carried out in the form of an independent Internal Audit. Items of expenditure are presented for approval at council meetings and initialled by the Chair and Vice-Chair.

The Council is insured by Zurich Municipal, cover is adequate and includes cover for the Village Hall. The policy is reviewed on an annual basis, and was last reviewed May 2017.

Budgetary controls

The Council set their budget on 29 November 2017 in preparation for applying for the precept. Actual income and expenditure is monitored against budgeted income and expenditure quarterly using the management reports produced by the Clerk. There is a large variance of over 2000% on Village project expenditure, primarily equipment, this was due to the availability of additional external funding.

The council has no earmarked reserves.

Income control

Income received is recorded in the computerised cashbook and is banked in the Co-operative bank account.

Budgeted precept income is paid by Rotherham Metropolitan Borough Council via BACS in two instalments in the year, half in April and half in September. The precept amount recorded in the cashbook agrees with the Council's notification.

I am advised that the Council does not operate a petty cash system, however, the Clerk currently has a cash amount that was collected for a memorial for a deceased parishioner. The money is kept in a locked tin. Recommended this money is banked and earmarked.

Payroll controls

The RFO/Clerk is the only paid employee of the Council. A contract of employment is currently in place and has been signed by both parties. A job description clearly identifying the specific duties of the RFO/Clerk is incorporated within the contract. The salaries and other payments made to the RFO/Clerk are reasonable and have been approved by the Council.

Pay as You Earn and National insurance contributions are calculated by the RFO/Clerk using basic PAYE tools. The RFO/Clerk pays the deductions calculated to the Inland Revenue on a monthly basis.

Asset control

The Council maintains an Asset Register of all material assets owned or in its care. However, assets purchased during 2017-18 are yet to be added to the register, last reviewed in January 2018.

Bank reconciliations

Bank reconciliations are carried out upon receipt of the bank statements and consolidates all the Council's bank accounts. Bank statements are received on a monthly basis, reconciliations can only be carried out once these have arrived. The final bank reconciliation for the year did not show un-cleared cheques, this has now been amended.

Year-end procedures

Accounts are prepared on a receipts and payments basis. The accounts failed to show two cheques that had been issued during the year, these have now been included in the year end figures. There is an audit trail from underlying financial records to the accounts. The Parish Council has no investments or outstanding leases or loans. There are no tenancies in operation.

As a result of my conclusions above, I have replied 'No' to control objectives B, C and H in Section 4 of the Annual return (Petty Cash (F) is not applicable).