

ULLEY PARISH COUNCIL

Internal Audit Report 2018/19

Faye Hazlehurst
Community Accountant



The Spectrum, Coke Hill, Rotherham, S60 2HX
Tel: 01709 829821 Fax: 01709 829822
Email: admin@varotherham.org.uk Web: www.varotherham.org.uk

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 2018 to 31st March 2019.

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 28 November 2018. 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 might 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 has made good improvements over the last 12 months with the Clerk maintaining a reasonable standard of record keeping. All receipts and payments were evidenced with appropriate documentation that simplified the audit process. The cashbook contained an incorrect opening balance and two duplicated cheques; the Clerk corrected these. The year-end reconciliation had a balancing entry for a cheque that was omitted from the cashbook. The Clerk was

supported to correct the mistake and a new reconciliation was issued. I have confidence that the figures lifted into the Statement of Accounts for the financial year ended 31 March 2019 are now accurate.

The Parish Council has recently become responsible for a Trust fund, the Clerk has sought advice on managing the fund, however, there is still some work to be done until the council meets its responsibilities as a trustee.

Detailed Report

Bookkeeping

A computerised cashbook is maintained and kept up-to-date. The cashbook had an incorrect brought forward balance and two cheques were duplicated from the previous year, this was brought to the attention of the Clerk who made the required adjustments and issued a second balanced cashbook. The cashbook is reconciled quarterly with bank balances and statements presented at council meetings.

Standing orders and financial regulations

The model financial regulations were adopted and approved on 3 December 2015. These were revised and adopted by Council on 30 May 2018. New Model Standing Orders were adopted on 30 May 2018.

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. The council is fully compliant with the Transparency code.

Payment control

All payments are presented for approval at monthly Council meetings and two councillors sign invoices. 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. A small amount of VAT has been reclaimed twice in error; this will need to be adjusted on the next return.

Risk management arrangements

All financial activities are approved at monthly Council meetings; financial matters are listed as an Agenda item and a list of payments are given for authorisation. The Clerk confirms the current bank balances. All bank statements are signed and verified by two Councillors. 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 on 27 March 2017.

Internal financial controls were last reviewed and adopted on 28 November 2018. An annual independent review of financial controls and systems is carried out in the form of an independent internal audit.

The Council is insured by Zurich Municipal, and includes cover for the village hall. Cover was reviewed and renewed in May 2018. The council holds Public, Employers Liability and Fidelity guarantee. The levels are appropriate for the size of the Council.

Budgetary controls

The Council set their budget on 30 January 2019 in preparation for applying for the precept. Actual income and expenditure is monitored against budgeted income and expenditure bi-monthly using the management reports produced by the Clerk. There is a large variance on audit costs; this is due to expenditure in relation to the public interest report. All variances have been explained.

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.

Rotherham Metropolitan Borough Council via BACS pays budgeted precept income 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.

The council has not received any cash income during the year but any cash taken is held securely and banked promptly.

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. The Chairperson issues salary cheques to the Clerk/RFO, May 2018 was not issued due to an oversight.

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 at least a quarterly, there was a slight underpayment of liabilities at the end of the year but this is not material.

Asset control

The Council maintains an Asset Register of all material assets owned or in its care. This is kept up to date and reviewed annually, last reviewed on 30 January 2019.

Bank reconciliations

Bank reconciliations are carried out upon receipt of the bank statements and consolidates all the Council's bank accounts. The year-end reconciliation incorrectly accounted for an un-cleared cheque in both the cashbook and bank account reconciliation. This cheque was omitted from the cashbook. The Clerk was supported to correct the mistake and a new year-end reconciliation was issued. There are no unexplained balancing entries. *Recommend the Clerk look at financial training to strengthen any skills gap.*

Year-end procedures

Accounts are prepared on a receipts and payments basis. There were a couple of discrepancies with the year-end accounts. These were discussed with the Clerk who amended accordingly. The accounts now agree to the cashbook. 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.

The Parish Council has arrangements in place for the public inspection of records

Miscellaneous

The Parish Council has recently taken over the management of the Halifax Fund. This fund accepts applications from projects in Ulley that will benefit the community. The council designated authority for the fund to the Clerk but this is not appropriate. The council needs to develop a grant policy in line with the requirements of the fund. The Halifax fund is listed as an agenda item and any applications discussed. The Clerk maintains a separate cashbook and bank reconciliation