

# ULLEY PARISH COUNCIL

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## Internal Audit Report 2019/2020

**Faye Hazlehurst**  
Community Accountant



The Spectrum, Coke Hill, Rotherham, S60 2HX  
Tel: 01709 829821 Fax: 01709 829822  
Email: [admin@varotherham.org.uk](mailto:admin@varotherham.org.uk) Web: [www.varotherham.org.uk](http://www.varotherham.org.uk)

## **Background and Scope**

The Accounts and Audit Arrangements introduced with effect from 1<sup>st</sup> 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 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020.

## **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**

I am pleased to conclude and report that the Clerk has maintained a reasonable standard of record keeping that has simplified the audit process. The cashbook contained an incorrect opening balance and a cheque from 2018/19 was duplicated meaning payments were overstated; the Clerk corrected these and submitted an amended cashbook.

I have confidence that the figures lifted into the Statement of Accounts for the financial year ended 31st March 2020 are accurate. Areas identified for update or improvement are Standing Orders (should be reviewed annually), privacy notice, needs to be a separate notice rather than part of the data protection policy, VAT some vat reclaim omitted on the cashbook and opening and closing cashbook balances. Further details can be found in the body of this report.

The Parish Council is responsible for the Halifax fund. During 2019/20, the Clerk sought advice from YLCA who advised this be set up as a Charitable Trust; this is still a work in progress but needs to be prioritised by the council. The fund does have a grant policy in place and a number of grants have been distributed during the year. 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 on excel and is kept up-to-date. The clerk advised that a regular back up is stored on the one-drive. The cashbook had an incorrect brought forward balance and a cheque was duplicated from the previous year, this was brought to the attention of the Clerk who made the required adjustment 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**

New model financial regulations were adopted and approved on 27 November 2019, these are tailored to the council and purchase authority is defined within the regulations.

New Model Standing Orders were adopted on 30 May 2018. No review took place during 2019/2020; standing orders should be reviewed annually as part of the council's internal control check.

### **Transparency code for smaller councils**

Under the Transparency Code, for smaller authorities (February 2015), Parish Councils are required to publish a range of information on their website. Some transactions over £100 were not displayed, the Clerk advised that they rely on the local authority to update their website and this had been delayed due to the pandemic. During the course of the audit, the Clerk contacted the authority and records were updated accordingly.

### **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) at least annually. Of the transactions selected, I identified one transaction where the VAT had not been reclaimed correctly. This should be adjusted in the forthcoming year.

### **Risk management arrangements**

All financial activities are minuted and approved at monthly Council meetings. Electronic copies of the minutes were not initialled, a sample selection of hard copy minutes were provided, and these minutes were initialled and signed overall.

The annual risk assessment document was reviewed and adopted on 27 March 2019. Risks are measured according to their level of risk. I was provided with the draft risk assessment for March 2020, due to current restrictions in place this was yet to be approved by the council. A review of the internal financial controls and systems is done annually; last reviewed and approved on 30 January 2020, (minute 97/19). All invoices are authorised by two councillors.

The Council is insured by Zurich Municipal, and includes cover for the village hall. Cover was reviewed and renewed in May 2019. The council holds Public, Employers Liability and Fidelity guarantee. The levels are appropriate for the size of the Council.

The council has no cash investments.

### **Budgetary controls**

The Council set their budget on 30 January 2020, minute 100/19 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. Any variance is explained and minuted.

The council has no earmarked reserves.

### **Income control**

Income is recorded in the electronic cashbook when it is received, all income received during the year was deposited directly into the Council's 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 should any cash be taken this is held securely, banked intact and no cash floats are held.

The parish council does not operate petty cash.

## **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 clerk requested a change in frequency of salary payments to quarterly; the council approved this on 15 May 2019 (minute 20/19). 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 at least a quarterly.

The Parish Council have met its pension's obligations; the Clerk's salary is under the lower earnings threshold.

The council have a separate grievance and disciplinary policy in place; this is to be reviewed annually.

## **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 (minute 96/19). The value of individual assets are included on the register. The draft asset register for 2020/2021 is yet to be approved by council due to the pandemic. The draft version is available on the council's website.

## **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 included a duplicated payment from 2018/19 and an incorrect opening balance 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.

## **Year-end procedures**

Accounts are prepared on a receipts and payments basis. Once adjustments were made for the duplicated cheque, the accounts agreed to the cashbook totals. A sample selection of receipts and payments were selected for evidencing, a clear audit trail exists and I was able to trace all transactions through to the bank account and minutes.

The Parish Council has no investments or outstanding leases or loans. There are no tenancies in operation.

The council have a privacy policy that is available on its website; this is in need of updating.

The Parish Council has arrangements in place for the public inspection of records; the requirement is 30 working days, however the council only allowed for 28 days.