

ULLEY PARISH COUNCIL

Internal Audit Report 2020/2021

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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 2020 to 31st March 2021.

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 24 March 2021. 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
- Due Process
- Risk management arrangements
- Budgetary controls
- Payroll control
- Asset control
- Bank reconciliation
- Year-end procedures
- Miscellaneous

Overall Conclusion

I am pleased to conclude and report that the Clerk has maintained a good standard of record keeping that has simplified the audit process. The cashbook was not in balance at the year-end and this was due to two minor errors, these have been corrected. I have confidence that the figures lifted into the Statement of Accounts for the financial year ended 31st March 2021 are accurate.

Area's identified for update or improvement are privacy notice, this is out of date and does not conform to NALC template. The Council failed to correctly declare itself exempt from external audit as the certificate of exemption was not displayed in the required time.

Internal financial controls should be reviewed annually, there was no evidence of this and no evidence of an annual insurance review. The asset register had been updated and approved but did not include the new laptop. 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; during 2020/21 the Council decided the fund would be set up as an arms length management organisation, this is still in the process of being set up. The fund does have a grant policy in place and a number of grants have been distributed during the year. The Parish Council will not be sole trustee of the organisation.

Detailed Report

Bookkeeping

A computerised cashbook is maintained and kept up to date. The cashbook had a minor balancing error where interest had not been included. All payments selected for sampling (other than the Clerk's laptop) were supported by invoices and minuted at monthly meetings. There was no evidence that internal controls had been reviewed during the year, these should be reviewed and approved annually.

There was no S137 during the period.

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. Refunds are made to the current account.

The parish council does not operate petty cash.

Due Process

In order for the Council to correctly declare itself exempt from external audit, it must display the exemption certificate before 30 June 2020. It failed to do this.

New Model Standing Orders were reviewed and approved on 25 November 2020.

New model financial regulations were reviewed and approved on 25 November 2020, these are tailored to the council and purchase authority is defined within the regulations.

The council has good internal controls for payments; all payments require two levels of authorisation, with all payments approved at council meetings. I was not able to evidence internal control arrangements for direct debits and standing orders.

I was able to evidence that the summons are signed, specified and displayed with three clear days' notice.

Risk management arrangements

All financial activities are minuted and approved at Council meetings. The minutes provided were not initialled or signed overall.

The annual risk assessment document was reviewed and adopted on 27 May 2020.

There was no evidence that internal financial controls and systems had been reviewed during the year, this should be done annually.

The Council is insured by Zurich Municipal, and includes cover for the village hall. There was no evidence that an annual insurance review had taken place. Cover was renewed in May 2020. The council holds Public, Employers Liability and Fidelity guarantee. The levels are appropriate for the size of the Council.

The council carries out monthly reporting and minuting of the bank balance. The council has no cash investments

Budgetary controls

The Council set their budget on 27 January 2021, in preparation for applying for the precept. I was able to evidence a discussion in the minutes for November 2020 on budget v's actual; no further reporting was evident through the year. Reporting should be carried out bi-monthly.

The council has no earmarked reserves. The level of general reserves is within 3 and 12 months running costs.

Payroll controls

The RFO/Clerk is the only paid employee of the Council. A contract of employment is currently in place with clear terms and conditions. The salaries and other payments made to the RFO/Clerk are reasonable and have been approved by the Council. Last review took place and was ratified on 4 September 2020 ahead of the new Clerk starting.

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 quarterly. Monthly wage slips are issued from September 2020 onwards.

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; last reviewed May 2020.

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 24 March 2021, the new laptop purchased in 2020 was missing from the register, and this has now been updated. The value of individual assets are included on the register.

Bank reconciliations

Bank reconciliations are carried out monthly upon receipt of the bank statements and consolidates all the Council's bank accounts. The reconciliation was not in balance with a minor error of bank interest not included. There are no other unexplained balancing entries.

Year-end procedures

Accounts are prepared on a receipts and payments basis. Once adjustments were made for the bank interest, 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 all but one of the transactions was minuted for approval

Miscellaneous

The points from the last audit – the privacy policy is still out of date. This should be updated in line with GDPR.

I can confirm the council has adopted the Code of Conduct since July 2012; this has been circulated for approval in March 2021, this is yet to be approved by Council.

The council have a complaints procedure in place; this was approved for two years in May 2020.

All electronic files are backed up monthly and stored off site.

The Parish Council has arrangements in place for the public inspection of records; this was correctly displayed on the council's website. The Council is also compliant with the Transparency code.