

INTERNAL AUDIT REPORT WALDRIDGE PARISH COUNCIL

1. Background

- 1.1. Following the abolition of the Audit Commission a new organisation has been established which is responsible for issuing proper practices in relation to the accounts of smaller authorities. It is called the Smaller Authorities Proper Practices Board (SAPPB), and is made up of members of the SLCC, NALC, CIPFA, the Department of Housing, Communities and Local Government (DHCLG), the Department of Environment, Food and Rural Affairs (DEFRA), the National Audit Office and a representative of the external audit firms appointed to smaller authorities
- 1.2. Every smaller authority in England that either received gross income or incurred gross expenditure exceeding £25,000 must complete Part 3 of the Annual Governance and Accountability Return (AGAR) at the end of each financial year. The AGAR is made of 3 sections along with an annual internal audit report. which is to be completed by the Parish Council's independent internal auditor, who is to give an opinion of the Parish Council's internal controls.
- 1.3. CDALC have provided Councils with an internal audit checklist to be used, this annual audit uses this list as the minimum of the tests to be carried out.

2. Objectives of the Audit

- 2.1. To examine the system of internal controls to ensure that the Parish Council may obtain an adequate level of assurance for its activities.

3. Scope of the Internal Audit work and the areas examined.

- 3.1 The Scope of Work covers the key control objectives identified in the AGAR part for Internal Audit, and to follow up the report on the interim audit work carried out previously, which will be incorporated in this report.
Previous interim audit work relied on compliance testing the audit work for this audit relies on detailed testing.
- 3.2. To properly complete the audit the following areas of activity have been examined and tested by the Internal Auditor:
 - Payroll
 - Creditors
 - Risk Management
 - Income collection and Banking arrangements
 - Petty cash (none)
 - Assets
 - Debtors
 - Budgetary Control (including year end procedures)
- 3.3. The audit findings of this report have been discussed with the Clerk of the Council and any audit recommendations have been agreed with her.

4. Audit Findings

4.1. Payroll

- 4.1.1 The Parish Council has 2 employees (Clerk and Caretaker) and are paid through HMRC online payroll service.
- 4.1.2. The pay scales from NALC for the Clerk and living wage for caretaker were submitted for approval at the 8th May 2018 Council meeting.
- 4.1.3. The Clerk has a contract of employment which is unsigned and is based on the NALC model, and records her hours on a timesheet.

- 4.1.4 The Caretaker does have a contract of employment which appears to be out of date as its states that he is self employed. He is paid the living wage and works 8 hours per week to be worked when necessary.
- 4.1.5 Following the interim audit report, I understand that up to date contracts of employment for the Clerk and the Caretaker are to be agreed and signed at the Council meeting in May.
- 4.1.6 Timesheets are completed for both the Clerk and the Caretaker. The Clerk completes and signs her timesheet which is authorized by a Member and is seen when payment is being made. The Caretaker completes his timesheet totals his hours and signs his timesheet and authorized by the Clerk and checked by signatories when the cheque is signed.
- 4.1.7 On examining the recent timesheets these have been properly completed

4.2. Accounts Payable (creditors)

- 4.2.1. There are no separation of duties at Waldrige Parish Council as the Parish Clerk is the only Officer responsible for Finance and Administration. All expenditure (cheque and on line payments) are authorized by the Council with the Clerk having delegated powers to incur expenditure up to £200 (ratified by Council).
All expenditure is recorded on a list of payments for approval by the Council which is circulated to all Members three days before the monthly meeting for any comments.
- 4.2.2 Satisfactory compensating checks are carried out by the Members, where two members of the Council sign every cheque or order for payment, where they check each payment against the relevant invoice and sign the invoice and initial the cheque counterfoil. All authorized signatories are Members of the Council.
- 4.2.3. Cheques and on line payments are prepared by the Responsible Finance Officer (Clerk).
- 4.2.4. The Council has a purchase order book which is used when required for ordering items.
- 4.2.5. All payments are recorded on an excel spreadsheet which is satisfactory for the size of the Council.
- 4.2.6. There are several payments made by Councilors' who are then reimbursed, these are being kept to a minimum and will be reduced further when the Council obtains a debit card. Financial Regulations are to be updated to reflect the use and security of the debit card.
- 4.2.7. There is a small petty cash float mainly used for issue of postage stamps and stationery, with receipts obtained. Petty cash expenditure does not appear to be shown in the accounts; it has been agreed in the interim audit reports action plan that this will be shown correctly for 2019/20.
- 4.2.8 The Council discussed the requirements for obtaining quotations and estimates, as outlined in the Financial Regulations, and the processes that must be followed when making purchases and engaging services. It was noted that for all items above £100 and below £3,000, three estimates must be obtained, and for items above £3,000, and below £10,000, three quotes must be obtained, with it being the responsibility of the Clerk/RFO to obtain quotes and estimates. It was also noted that where it is not possible to obtain three quotes or estimates, justification must be provided.

4.3. Risk Management/Governance arrangements

- 4.3.1. The Council completes an annual risk assessment which is approved at the Annual Meeting.
- 4.3.2. Operational risks eg. Events, are risk assessed when required.

- 4.3.3. There appears to be adequate insurance cover for all assets of the Council, with insurance cover being reviewed every September (currently the Council has a three year contract).
- 4.3.4. Standing Orders, Financial Regulations (NALC) and the asset register have been adopted by the Council for the year at the annual meeting of the Council (8th May 2018)
- 4.3.5. The Council completed a Statement of Internal Control/Risk Management which was approved by Council on 13th March 2018.
- 4.3.6. There is a standard agenda item for any policies to be reviewed at every Council meeting and the Council has a data base list of all policies which has a review date on them. Throughout the year policies have been added or updated.

4.4. Income collection and Banking arrangements

- 4.4.1. Income received is mainly the precept, vat reimbursements. bank interest, room hire and allotments.
- 4.4.2. The Council has a hall letting policy which the users have to sign and following the interim audit the Clerk has introduced a new booking form which ensures that sufficient detail is recorded on it. Invoice list 69 to 94 was examined in detail, no concerns found.
- 4.4.3. Cash income is received for the room hire which was used to top up the petty cash. This is against financial regulations (paragraph 9.5.) which states that all income collected must be banked intact. Following the interim audit report, it has been agreed that all cash income collected is to be banked
- 4.4.4. Following the interim audit report, it has been agreed to purchase a duplicate receipt book and any hirers paying by cash will be issued with a receipt.
- 4.4.5. The allotments are run by an Association which pays the Council an annual rent. The Council also pay the allotment water bills which are reimbursed by the association.
- 4.4.6. There are 2 bank accounts held by the Council, Current account, for day to day transactions of the Council and a deposit account holding monies for reserves and to earn interest.
- 4.4.7. Vat reimbursements are made once a year (June 2018) which is adequate for this Council.
- 4.4.8. At the budget setting meeting on 1st November 2018 the room hire charges for the newly refurbished Parish Rooms were discussed, where it was resolved to increase the room hire charges.

4.5. Accounting Records

- 4.5.1. All Income and Expenditure (including vat) is recorded on an excel spreadsheet which is adequate for this Council. The Clerk renewed the Microsoft Office 365 subscription. This software package contains programs that are essential for the Clerk to be able to carry out her duties.

4.6. Assets

- 4.6.1. The Council completes an asset register every year which is approved by the Council at its annual meeting

4.7. Debtors

- 4.7.1. There are no accounts raised for any debts owed to the Council.

4.8. Budgetary Control and budget setting

- 4.8.1. The Council approves a budget for the following year at its December or January meeting which

determines the precept. The budget estimates and precept were discussed by a Parish Council Committee meeting on January 2019 where it was agreed for the coming year.

- 4.8.2. Budgetary control is carried out every quarter when the bank statements are received, and one of the Councilors' (whom is not a bank signatory) confirms the bank reconciliation, bank statement, petty cash and budget.
- 4.8.3. A review of the current years budget was initially discussed at the Budget setting meeting on 1st November 2018, and considered at the Council meeting on 13th November 2018, and the budget and precept were set at the Finance and Budget meeting on 4th December 2018 and agreed at the Council meeting on 8th January 2019.
- 4.8.4. The Council discussed the recommendation from the external auditor in relation to the minimum and maximum funds that must be held in reserve, where it was resolved that the Council must hold a minimum of 25%, of precept in reserve. Following this a significant increase was agreed in the precept.
- 4.8.5. A three-year budget was considered by the Council where it was agreed that the Clerk should prepare the 'essential items' section of the budget, and that the rest of the budget would be discussed and set by the Council at a later date.
- 4.9. **Trust Funds**
- 4.9.1 The Council are trustees for the Millenium Green which was transferred to the Parish Council in 2011 who are now the sole trustee. Following the interim audit report a Constitution has been found and this has been checked over, to ensure that the Council is compliant with the Constitution.
- 4.9.2. The Trust has an AGM every year and any expenditure on the Green is discussed at Parish Council meetings. Since the interim audit report the Trust meetings are separate from the Council, with separate accounts being kept.

5. Conclusions

- 5.1 It is reassuring to see that the Council has greatly improved its Governance arrangements following the completed actions as recommended in the interim audit report

6. Recommendations

- 6.1. This report has been discussed with the Parish Clerk and no further recommendations are made.



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Internal Auditor,
Date: 9th May 2019