

Internal Audit

Fawfieldhead Parish Council

Year Ending 31 March 2020

Internal Auditor: Elizabeth Fitzgibbon

This internal audit report is based upon the Association of Local Councils recommended checklist, in conjunction with the Practitioners' Guide to Governance and Accountability in Local Authorities.

Summary Checklist Report

CONFIDENTIAL

Internal Audit Summary Checklist Report for Fawfieldhead Parish Council

Year Ending: 31 March 2020

| | | | |
|--------------------|-----------------------------|------------------------------|-------------------|
| Name of Council | Fawfieldhead Parish Council | Name of Clerk to the Council | Stephen Mansfield |
| No. Of Councillors | 6 (1 vacancy) | Name of RFO (if different) | |
| Quorum | 3 | Precept (for audit year) | £5,105 |

| 1. Book-Keeping | | | | Comments & Recommendations |
|-----------------|--|-----|----|---|
| 1.1 | Ledger maintained & up to date? | Yes | | The accounts are balanced monthly and are up to date to the financial year-end. |
| 1.2 | Arithmetic correct? | Yes | | Checks of the computerised accounting system confirmed that the cashbook and other accounts arithmetic were correct. |
| 1.3 | Evidence of internal control? | Yes | | <ul style="list-style-type: none"> Internal audit Budgetary control and monitoring Bank reconciliation review by Council |
| 1.4 | VAT evidence, recording and reclaimed? | | No | No VAT reclaim has been made. |
| 1.5 | Payments in the ledger supported by invoices, authorised & minuted? | Yes | | See Detailed schedule in Compliance Testing Report |
| 1.6 | Is S137 expenditure separately recorded and within statutory limits? | | | N/A |
| 1.7 | Is S137 expenditure of direct benefit to the electorate? | | | N/A. |

| 2. Due Process | | | | Comments & Recommendations |
|----------------|---|-----|----|---|
| 2.1 | Standing Orders adopted since 2010? | Yes | | Standing Orders were last reviewed, updated and approved by Council in November 2016. |
| 2.2 | Standing Orders reviewed at Annual Meeting? | | No | No review minuted. |
| 2.3 | Financial Regulations adopted? | Yes | | Financial Regulations were last reviewed, updated and approved by Council on 14 th November 2016. They are available on the website. |
| 2.4 | Financial Regulations properly tailored to Council? | Yes | | The current Financial Regulations are based on the current NALC model Standing Orders and Financial Regulations, adapted to suit the specific needs of the Council. |
| 2.5 | Equal Opportunities policy adopted? | Yes | | The Equal Opportunities policy is available on the website |

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| 2. Due Process | | | | Comments & Recommendations |
|----------------|--|-----|----|--|
| 2.6 | RFO appointed? | Yes | | The clerk is also the RFO. |
| 2.7 | List of member's interests held? | Yes | | The Clerk maintains and updates the list of member's interest as required. |
| 2.8 | Agendas signed, informative and displayed with 3 clear days' notice? | Yes | | The clerk prepares and signs the council meeting agenda, which lists matters for discussion and is posted on the Council's website and parish council notice board. |
| 2.9 | Purchase orders raised for all expenditure? | | No | Financial Regulations determine how commitment to purchase is made . |
| 2.10 | Purchasing authority defined in Financial Regulations? | Yes | | The Financial Regulations stipulate that: <ul style="list-style-type: none"> • Where possible 3 estimates/quotes will be obtained for purchases exceeding £500. • Under £100 can be authorised by the Clerk, subject to budgetary provision. |
| 2.11 | Legal powers identified in minutes and/or ledger? | Yes | | |
| 2.12 | Committee terms of reference exist and have been reviewed? | Yes | | N/A. No committees of council. |

| 3. Risk Management | | | | Comments & Recommendations |
|--------------------|---|-----|----|--|
| 3.1 | Does a scan of the minutes identify any unusual financial activity? | | No | Minutes are prepared for all meetings of the Council, which usually meets 6 times per year. No unusual financial activity was found in the minutes reviewed. |
| 3.2 | Is an annual risk assessment carried out? | | | N/A. None is required as the parish council only meets in the parish rooms . Any risk assessments there are the responsibility of St John's Church. |
| 3.3 | Is Insurance cover appropriate and adequate? | Yes | | The level and range of insurance cover appears to be adequate for the size of the Council. |
| 3.4 | Evidence of annual insurance review? | Yes | | The insurance is renewed annually on 1 st June. Insurance cover was taken with Zurich. Reviewed at last meeting of 2018-19 - minute 04/03/19/10. |
| 3.5 | Internal financial controls documented and evidenced? | Yes | | Effective and acceptable financial control procedures are operative as stipulated in the Financial Regulations. |
| 3.6 | Minutes initialled, each page identified and overall signed? | | No | No minutes are signed and dated by the meeting chair. Each page of the minutes is identifiable by the unique sequential minute number. RECOMMENDATION: All minutes are signed and each page initialled by the chair. |
| 3.7 | Regular reporting and minuting of bank balances? | Yes | | Bank balances are presented to Council at each meeting as part of the financial reporting and are minuted. |
| 3.8 | S137 expenditure minuted? | | | N/A |

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| 4. Budget | | | | Comments & Recommendations |
|-----------|---|-----|----|---|
| 4.1 | Annual budget prepared to support precept? | Yes | | A budget is prepared annually by the Clerk. |
| 4.2 | Has budget been discussed and adopted by Council? | Yes | | The budget for the new financial year was reviewed and approved by the Council. Minute 06/01/20/14. |
| 4.3 | Any reserves earmarked? | | No | N/A. |
| 4.4 | Any unexplained variances from budget? | Yes | | All explained as per the Annual Return and from financial reports presented to Council. |
| 4.5 | Precept demand correctly minuted? | Yes | | The approved precept demand of £5,060.46 for 2020-21 was forwarded to SMDC by the deadline and was correctly minuted 06/01/20/14. |

| 5. Payroll - Clerk | | | | Comments & Recommendations |
|--------------------|--|-----|--|---|
| 5.1 | Contract of employment? | Yes | | The Clerk received a combined contract of employment and job description following appointment on 19 th September 2016. This is available on the website. |
| 5.2 | Tax code issued/contracted out? | Yes | | The Clerk is remunerated through the payroll and has an applicable tax code. |
| 5.3 | PAYE/NI evidence? | Yes | | The payroll confirmed that the Clerk's salary was subject to PAYE. |
| 5.4 | Has Council approved the salary paid? | Yes | | The Council's payroll is outsourced to DM Payroll Services. The Clerk's salary is based on an agreed fixed rate per month. The Clerk receives a net monthly payment, for which Council approve the salary payment on the expenditure payment approvals list |
| 5.5 | Other payments reasonable and approved by Council? | Yes | | Other than the fixed monthly salary payment, the only payments made to the Clerk are for expenses incurred on behalf of the council and a pension contribution. |

| 6. Payroll - Other | | | | Comments & Recommendations |
|--------------------|---|-----|--|--|
| 6.1 | Contracts of employment? | Yes | | N/A as the Clerk is responsible for all the financial and administrative affairs of the Council. |
| 6.2 | Does the Council have employers' liability cover? | Yes | | The Council has employer's liability cover of £10M. |
| 6.3 | Tax code(s) issued? | Yes | | BR then 34T/M1 |
| 6.4 | Minimum Wage paid? | Yes | | The Clerk's remuneration exceeds both the applicable Minimum Wage and Living Wage. |
| 6.5 | Disciplinary, Grievance & Complaints procedures in place? | Yes | | The council has adopted the NALC model procedures. |

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| 7. Asset Control | | | | Comments & Recommendations |
|------------------|--|-----|----|---|
| 7.1 | Does the Council keep a register of all material assets owned? | Yes | | Yes |
| 7.2 | Is the asset register up to date? | Yes | | |
| 7.3 | Value of individual assets included? | | No | No, the actual cost of the individual assets are lost in history. The clerk has not been able to find any relevant information . The total register value relies on a verbal figure given by a previous clerk. The value of the BT kiosk was added recently at £1. This was the only practical way forward. The register is on the website. |
| 7.4 | Inspected for risk and health and safety? | Yes | | Yes |

| 8. Bank Reconciliation | | | | Comments & Recommendations |
|------------------------|--|-----|----|--|
| 8.1 | Is there a bank reconciliation for each account? | Yes | | Reconciliations are undertaken for the bank account held by the Council: <ul style="list-style-type: none"> NatWest current account bank statements received monthly. |
| 8.2 | Reconciliation carried out on receipt of statement? | Yes | | The bank account is reconciled on receipt of statement. |
| 8.3 | Any unexplained balancing entries in any reconciliation? | | No | No |
| 8.4 | Is the bank mandate up to date? | Yes | | Yes. Four current councillors are signatories. |

| 9. Year-End Procedures | | | | Comments & Recommendations |
|------------------------|---|-----|----|---|
| 9.1 | Year-end accounts prepared on correct accounting basis? | Yes | | Day to day and year-end accounts are prepared on a Receipts and Payments basis. |
| 9.2 | Bank statements and ledger reconcile? | Yes | | A full reconciliation of the bank statement to the ledger as at 31 st March was prepared. |
| 9.3 | Underlying financial trail from records to presented accounts? | Yes | | The accounting system provides a satisfactory audit trail to the underlying financial records. |
| 9.4 | Where applicable, debtors and creditors properly recorded? | | | Not required to be recorded in the Receipts and Payments Accounts (i.e. cash based accounts). |
| 9.5 | Has Council agreed, signed and minuted sections 1 & 2 of the Annual Return? | | No | Section 1-Annual Governance Statement to be signed by the Council chair at the next available opportunity. Section 2-Accounting Statements to be presented to the Council for signing at the next available opportunity. |

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| 10. Miscellaneous | | | | Comments & Recommendations |
|-------------------|--|-----|--|---|
| 10.1 | Have points raised at the last internal audit been addressed? | Yes | | Yes, bank signatories updated. |
| 10.2 | Has the Council adopted a Code of Conduct since July 2012? | Yes | | The SMDC code of conduct has been adopted by the council. |
| 10.3 | Is eligibility for the General Power of Competence properly evidenced? | | | N/A. The Council is not eligible for this particular power. |
| 10.4 | Are all electronic files backed up? | Yes | | Finance and Admin files are subject to a comprehensive back up regime. Copies are kept at two different locations. Secure online accounts system is separately backed up. |
| 10.5 | Do arrangements for the public inspection of records exist? | Yes | | Notice of audit displayed as per external audit instructions. Outside of this period, inspection of records can be undertaken by prior appointment. |

| 11. Charities | | | | Comments & Recommendations |
|---------------|--|--|--|--|
| 11.1 | Charities reported and accounted separately? | | | The Council is not a trustee, nor involved in the administration of any charity. |
| 11.2 | Have the Charity accounts been separately audited? | | | N/A |
| 11.3 | Have the Charity accounts and Annual Return been filed within the legal time limits? | | | N/A |

| 12. Burial Authorities | | | | N/A |
|------------------------|--|--|--|-----|
|------------------------|--|--|--|-----|

| 13. Income Controls | | | | Comments & Recommendations |
|---------------------|--|-----|--|---|
| 13.1 | Is income properly recorded and promptly banked? | Yes | | |
| 13.2 | Does the precept recorded agree to the Council Tax authority's notification? | Yes | | The total precept received for 2019-20 was £5,104.53, as per the SMDC notification. |
| 13.3 | Are security controls over cash adequate and effective? | | | N/A - No petty cash. |

| 14. Petty Cash | | | | Comments & Recommendations |
|----------------|--|--|--|----------------------------|
| 14.1 | Is all petty cash spent recorded and supported by VAT receipts where applicable? | | | N/A. |
| 14.2 | Is petty cash expenditure reported to Council? | | | N/A. |
| 14.3 | Is petty cash reimbursement carried out regularly? | | | N/A. |

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| TRANSACTION SPOT CHECK | | | | | |
|---------------------------------|---------------------------|-------------------------|-----------------------------|----------|----------|
| Check No. | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u> |
| Transaction type | Purchase invoice | Purchase invoice | Purchase invoice | | |
| Supplier/Customer | Peak Park Parishes' Forum | DM payroll Services | Peaklander | | |
| Invoice/Transaction No. | None | 567 | 0127 | | |
| Invoice/Transaction date | 31/03/2019 | 16/08/2019 | 03/11/2019 | | |
| Goods/services supplied | Subscriptions | Payroll – 12 months | Inspect Phone box electrics | | |
| Ledger date | 09/05/2019 | 20/09/2019 | 04/11/2019 | | |
| Ledger Reference | | | | | |
| Item/Budget heading | Subscriptions | Payroll | Maintenance | | |
| Ref/cheque No. | 431 | 439 | 444 | | |
| Authorised by | 2 authorised signatures | 2 authorised signatures | 2 authorised signatures | | |
| Delivery evidence | Membership | PAYE records | Inspection completed | | |
| Payment minute ref | 08/05/19/14 | 02/09/19/14 | 04/11/19/14 | | |
| Insurance value | n/a | n/a | n/a | | |
| Payment value | £12.00 | £63.00 | £36.00 | | |
| Statement value | £12.00 | £63.00 | £36.00 | | |
| Timely payment | ✓ | ✓ | ✓ | | |
| VAT recorded | n/a | n/a | ✓ | | |
| S137 recorded in ledger | n/a | n/a | n/a | | |
| S137 minuted | n/a | n/a | n/a | | |
| Notes | | | | | |
| Pass | ✓ | ✓ | ✓ | | |

Any further comments

The overall internal audit assurance rating is: **GOOD.**

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Acknowledgments

The help and co-operation of Stephen Mansfield, Clerk to the Council, is much appreciated by the internal auditor.

| | | |
|------------------------------------|---------------------------------|---------------------------------|
| Internal audit carried out by | (signed) | (print) Elizabeth Fitzgibbon |
| Audit type (delete as appropriate) | INTERIM ANNUAL | |
| Date | 28 th September 2020 | |

For internal auditor's use only

| | |
|---------------------------------------|---|
| Internal audit report sent to Council | Y |
|---------------------------------------|---|

| ANNUAL RETURN | | Year Ending 31March 2020 | Year Ending 31March 2019 |
|---------------|---|-----------------------------|-----------------------------|
| 1 | Balances brought forward | 11,533 | 9,541 |
| 2 | Annual precept | 5,105 | 5,193 |
| 3 | Total other receipts | 7 | 20 |
| 4 | Staff costs | 2,795 | 2,598 |
| 5 | Loan interest/capital repayments | 0 | 0 |
| 6 | Total other payments | 1,101 | 623 |
| 7 | Balances carried forward | 12,749 | 11,533 |
| 8 | Total cash and investments | 12,749 | 11,533 |
| 9 | Total fixed assets and long term assets | 2,896 | 2,896 |
| 10 | Total borrowings | 0 | 0 |