

## Internal Audit Report

(to be read in conjunction with the Annual Internal Audit Report in the Annual Governance and Accountability Return)

Name of council:	Whilton Parish Council		
Name of Internal Auditor:	Josie Flavell	Date of report:	2 <sup>nd</sup> June 2020
Year ending:	31 March 2020	Date audit carried out:	30 May 2020

*Internal audit is the periodic independent review of a council's internal controls resulting in an assurance report designed to improve the effectiveness and efficiency of the activities and operating procedures under the council's control. Managing the council's internal controls should be a day-to-day function of the staff and management and not left for internal audit.*

***The council is required to take appropriate action on all matters raised in reports from internal and external audit and to respond to matters brought to its attention by internal and external audit. Failure to take appropriate action may lead to a qualified audit opinion.***

Clerk and RFO: Sue Porter  
 Chairman: Cllr Randal Smith  
 Vice Chairman: Cllr Jane Melling  
 Council hold 7 seats with one vacancy as of May 2020.

### **To the Chairman of the Council:**

After extensive review of Council's website and documentation I can report as follows.

### **FINANCE**

Whilton Parish Council completed their annual accounts on an receipts and payments basis and are exempt from external audit.

At year-end (31.03.2020) the balance of accounts was £13,970, which was recorded on both the year-end bank reconciliation and Box 7 of the Annual Governance and Accountability Return.

- General and free cash reserves £11,749

#### Petty Cash

The smaller authority does not hold or operate any petty cash.

#### Year-end Procedures

The smaller authority carried out all year-end practices in-line with current legislation and ensured that both sections of the Annual Governance and Accountability Return were presented and signed in the correct order.

#### Budget & Precept

- Pursuant to proper practices and legislation, the Council set and approved a precept for the year of £11,390 from a detailed budgetary process.
- The 2020-21 budget was reviewed and approved at the January 2020 meeting under min. ref. 7.5.
- All budget variances throughout the year have been reported satisfactorily, via the minutes and the year-end external audit documents.

### Cashbook

Upon review of the cashbook, it is evident it was well maintained and kept up to date throughout the financial year. However, the minute reference approving the payments/expenditure should be recorded within the cashbook, to allow for a direct link between the transactions and the minute record.

### VAT

VAT has been applied for throughout the financial year with the last claim being submitted to HMRC at financial year end, April 2020.

### S137

Provision for LGA 1972 Section 137 was not been made within the budget. This will need to be rectified during the 2021-22 budget setting process.

### Employee Salary

The Clerk/RFO is currently earning a salary below the threshold so there are no tax or NI contributions to be made and all salaries have been paid in accordance with HMRC rules and Council approval, and recorded accordingly in the cashbook ledger and minutes.

- Total annual staff cost for 2019/20 were £4123, which is an increase of £444.00 on the 2018/19 year.

### Bank Accounts/Mandate

- Council bank with Natwest and hold both a reserve and current account. Payment of all expenditure and salaries is via Direct Debit, BACS and cheque.
- The bank mandate was reviewed during the year and re-adopted.

### Bank Reconciliations

The council have made provision for an internal control system, with all bank reconciliations and accounts being reviewed regularly by the Chairman. However, going forward, the smaller authority should ensure that this is clearly recorded in the minutes for clarity and audit purposes and also have an Internal Control Statement in place.

The Statement of Internal Control is the means by which the Responsible Financial Officer and Council declare their approach to, and responsibility for, risk management, internal control, banking procedures and annual governance. It also forms part of the annual reporting process and is an extension of the Financial Regulations.

### Insurance

Council reviewed and approved the renewal of the annual insurance policy at the May meeting and currently have adequate cover in all areas.

### Loans

There are no loans to report.

### Contracts

Contracts should be reviewed annually unless Council has signed up to a long term deal. Pursuant to legislation and transparency regulations, all contracts and their value should be also presented on the smaller authority's website.

### Purchase Order System

Council currently do not run a purchase order system. Consideration for this should be given to ensure there is a process for confirming the ordering of goods/supplies and to also allow for there to be an audit trail when purchasing items.

## **DUE PROCESS**

After extensive review of all documents made available to me via the smaller authority's website and the Clerk/RFO, I can confirm that the following were present and correct, tailored in-line with the Council's needs, and were also reviewed and approved by council throughout the year:

- Standing Orders and Financial Regulations
- Equal Opportunities Policy
- Agenda and minutes for all meetings – although, invoice numbers should be included on all agendas and minutes for transparency and audit purposes.

However, the smaller authority are currently missing the following policies, procedures and registers and should consider make provision for these during the 2020-21 year:

- List of members interests – to be published on the website (statutory requirement under the Localism Act 2011 s29).
- Internal Control Statement – to be published on the website.
- Health and Safety Policy – to be published on the website.
- Recruitment Policy – to be published on the website.
- Disciplinary Procedures – to be published on the website.
- Regular Payments List – see Financial Regulations for information.
- Lone Workers Policy and Risk Assessment

### Transparency Code

- All end of year accounts and audit documentation will be made available on the smaller authority's website after the June 2020 council meeting.
- Minutes are presented correctly and on time, on the smaller authority's website. However, it is noted that the minutes do not currently have any page numbers. The minute record should have sequentially numbered page numbers which follow on from one meeting to the next. This will need implementing going forward.

### Employment

- The Clerk holds a current and up to date contract and Council have conducted the Clerk's appraisal with a review of their hours having taken place only recently.
- The Clerk has decided not to hold a pension scheme under the Council's employment.

### Miscellaneous

- It was evidenced that audit reports and action plans were recorded as being received and actioned.
- Arrangements for the public to inspect council's records exists.
- The back-up is currently completed using USB memory sticks held by the Clerk and Chairman. Consideration should be given to also back up all data to the cloud and on a more regular basis.

### Transaction Spot-Check

I conducted a spot-check on various transactions throughout the year and could find no evidence of unexplained variances. However, provision for reporting the invoice number against each transaction on the payments table of each agenda/minute, should be considered going forward and recording of all bank transfers between accounts should also be recorded.

## **RISK MANAGEMENT & ASSET CONTROL**

- Council have an up to date Risk Assessment which was present on the website.
- All minute pages were initialled and signed in full by the Chairman on the final page of each minute record.
- There was no provision made for S137 with the cashbook ledger and budget, but the Clerk has agreed to add these in as necessary.

- Control measures concerning the bank accounts will be covered within the new Internal Control Statement.
- The Asset Register is well maintained and up to date.

## **CONCLUSION**

Through extensive examination and investigation in all areas, it was evidenced that all matters are in order. Therefore, I am satisfied that appropriate and effective procedures and internal controls systems are in place, allowing for Section 4 (Internal Audit) of the Annual Return to be authorised.

It is apparent that Council is well managed and effectively run and have a competent and diligent Clerk, who will continue the good work in the future.

This report is based on the evidence made available to me on either the Council's website or in hardcopy form. It would be incorrect to view internal audit as the detailed inspection of all records and transactions of a council in order to detect error or fraud. Consequently, the report is limited to those matters set out above.

Once again, I would like to thank your Clerk for their time.

Yours sincerely,



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The figures submitted in the Newnham Parish Council Annual Governance and Accountability Return are:

	<b>Year ending 31 March 2019</b>	<b>Year ending 31 March 2020</b>
1. Balances brought forward	13392	13970
2. Annual precept	9905	11390
3. Total other receipts	2722	1293
4. Staff costs	3679	4123
5. Loan interest/capital repayments	0	0
6. Total other payments	8370	11176
7. Balances carried forward	13970	11354
8. Total cash and investments	13970	11354
9. Total fixed assets and long term assets	12172	12172
10. Total borrowings	0	0

The proper practices referred to in Accounts and Audit Regulations are set out in *Governance and Accountability for Smaller Authorities in England (2017)*. It is a guide to the accounting practices to be followed by local councils, and sets out the appropriate standard of financial reporting to be followed. A copy of the guide is available for free download from:

<http://www.northantscalc.com/uploads/practitioners-guide-2017.pdf>