

West Dereham Parish Council

Internal Audit Report

For West Dereham Parish Council

Financial Year 2020/21

Prepared by Di Dann 1st June 2021

I have completed an internal audit of the accounts for xxx Council for the year ending 31st March 2021.

My findings are detailed below using the tests provided in the **Governance and Accountability (England) 2020**.

I would like to thank the Clerk/RFO for providing me with the information required for the Internal Audit with the exception of the Cemetery Records (Burials Books, EROB) and VAT records.

Internal control	Test	Observations
Proper bookkeeping	Is the cashbook maintained and up to date?	Yes
	Is the cashbook arithmetically correct?	No See below
	Is the cashbook regularly balanced?	Not all of the year See below
Standing Orders, Financial Regulations and payment controls	Has the council formally adopted Standing Orders and Financial Regulations?	Yes
	Date Standing Orders last reviewed	July 2020 See below
	Date Financial Regulations last reviewed	October 2020 See below
	Has a Responsible finance officer been appointed with specific duties?	No See below
	Have items or services above the de minimus amount been competitively purchased?	Yes
	Are payments in the cashbook supported by purchase orders, invoices, authorised and minuted? Have receipts been supported by invoices issued?	See below
	Has VAT on payments been identified, recorded and reclaimed?	Yes but only claimed to June 2020. See below
	Is s137 expenditure separately recorded and within statutory limits?	Yes
	Have S137 payments been approved and included in the minutes as such?	But included in minutes but not identified as a s137 payment

Internal control	Test	Observations
Risk management arrangements	Does a review of the minutes identify any unusual financial activity?	No
	Do minutes record the council carrying out an annual risk assessment or review of their risk management scheme?	Yes See below
	Is insurance cover appropriate and adequate?	Yes
	Are internal financial controls documented and regularly reviewed?	Yes See below (re. So's and Fin Regs)
Budgetary controls	Has the council prepared an annual budget in support of its precept and has this been minuted as being approved?	Yes Note that the budget should be prepared NET of VAT
	Has the precept been calculated from the budget and been approved?	Yes
	Does the budget include an actual completed year?	Yes
	Is actual expenditure against budget regularly reported to the council?	Yes – but should be minuted
	Are there any significant unexplained variances from budget?	No
Income controls	Is income properly recorded and promptly banked?	No See below
	Does the precept recorded agree to the Council Tax authority's notification?	Yes
	Are security controls over cash and near-cash adequate and effective?	N/A
Payroll controls	Do all employees have contracts of employment with clear terms and conditions?	See below
	Do salaries paid agree with those approved by the council?	Yes
	Are salaries above the National Living Wage/Minimum Wage?	Yes
	Are other payments to employees reasonable and approved by the council?	Yes See below

Internal control	Test	Observations
	Have PAYE/NIC been properly operated by the council as an employer?	Yes
Asset controls	Does the council maintain a register of all material assets owned or in its care?	Yes
	Are the assets and Investments registers up to date? When were these last reviewed?	Yes – reviewed 2020 should also be reviewed at every year end
	Do asset insurance valuations agree with those in the asset register?	Yes
Bank reconciliation	Is there a bank reconciliation for each account and is this reported to council?	No See below
	Is a bank reconciliation carried out regularly and in a timely fashion?	Minuted
	Are there any unexplained balancing entries in any reconciliation?	See below (re. year end)
	Is the value of investments held summarised on the reconciliation?	No See below
Year-end procedures	Are year-end accounts prepared using the correct accounting basis (Receipts and Payments or Income and Expenditure)?	To be prepared as Receipts and Payments
	Do accounts agree with the cash book?	No See below
	Has a year-end bank reconciliation been undertaken?	No See below
	Is there an audit trail from underlying financial records to the accounts?	No See below
	Where appropriate, have debtors and creditors been properly recorded?	N/A
Procedural	Is eligibility for the General Power of Competence properly evidenced?	N/A
	Have points raised on the last Internal Audit report been considered by council and actioned?	Yes
Transparency: For smaller councils	Minutes for whole year on website?	Yes

Internal control	Test	Observations
with turnover under £25,000	Agendas for whole year on website?	Yes
	Payments over £100 detailed on website?	Yes
	Electors' rights advertised on website?	Yes
	Councillors' responsibilities detailed on website?	Yes
	Last financial year's AGAR on website?	Yes
	Land and building assets details on website? (Description, location, owner/leaseholder, date and cost of acquisition and present use)	Yes
Burial Authorities only	Are fees levied in accordance with the Council's approved scale of fees and charges?	Yes
	Have fees for the cemetery been reviewed and agreed by Council?	Unknown
	Were comparisons made with other cemeteries prior to setting the fees?	Unknown
	Have burial books been kept up to date and are they safely stored?	Not received
Allotments only	Has a list of allotment holders with amounts paid to Council been submitted?	No See below
	Have fees for the allotments been reviewed and agreed by Council?	Unknown
General Data Protection Regulation (compliance from 25 May 2018)	Has the Council carried out an information audit?	Unknown
	Has the Council put in place a privacy notice and policy?	Note that no Privacy Notice or DP Policy was found on the website There should be a separate link to DP on the website

I have carried out checks on various financial activities of the Council such as book-keeping and the preparation of the budget. All the necessary checks are detailed in "Governance and Accountability 2020".

I have completed the Internal Auditors Report (Page 4 of AGAR). I have answered Box A, B, I and J "NO". My reasons are detailed as follows:

Payments supported by invoices, and receipts supported by invoices

There were no invoices issued for goods and services provided.
There was no supporting documents / audit trail for a grant made.
Expenses claims should be supported by all invoices/receipts.
A VAT claim has only been made to June 2020.
Further information is given below.

Bank Reconciliations

The Council has an accounting package which provides a bank reconciliation between the three bank accounts it has and the cash book. This accounting package reconciliation was not undertaken during the latter part of the financial year. There were small errors between the bank accounts and the cash book in the latter part of the financial year. There was no year end bank reconciliation. Changes were made to the bank accounts at year end -financial regulations were not fully followed.

I have further recommendations to make following my audit:

Responsible Financial Officer (RFO)

It is a legal requirement that the Council appoints an RFO and this should be minuted.

Similarly, it is a legal requirement that the Council, as a corporate body, appoints staff and this should be minuted. No minute was made.

Payments and Receipts, Cash Book and AGAR

Receipts are not supported by invoices. For example, the purchase of a memorial should be raised as a sequentially numbered and dated invoice addressed to the memorial mason and recorded in the cash book.

A grant was given to the village hall. As part of the audit trail I would have expected a grant application form to have been completed. I would have also expected a copy of the organisation's accounts to have been included (refer Grant Awarding Policy). Payments should be sequentially numbered and this detail added to the cash book along with the cheque number.

The above information provides an audit trail and supports internal control.

All invoices including expenses claims should be checked for accuracy – as an example Cheque No 210 where 2 Zoom accounts were claimed but only one account was attached to the payment. Further this Zoom account had 2 Post Office

receipts attached but these were not included in the claim total. Claims (when made up of multiple transactions) should be supported by a spreadsheet detailing date, item, net, VAT and gross amounts. The spreadsheet should be stapled to the claim. **Doing this provides transparency and ensures accuracy with the HMRC VAT claim form.**

Checks made in February 2020 revealed a receipt of £200 which had not been entered in the cash book or reported on the finance schedule to Council.

Action – RFO to check all invoices prior to payment and check the entries in the cash book.
(both receipts and payments).

Year End and AGAR – to be completed

A bank reconciliation at Year End of all the bank accounts should be drawn up and balanced to the cash book.

A bank account was opened with Unity Trust Bank with a cheque payment being made on 3rd March £500. This £500 may need to be included in the year end Bank Reconciliation although the payment was not noted on the year end bank statement or included in the cash book. While the Council agreed to the change of banker there was no minute to support the £500 deposit.

The Barclays Account No 63245454 balance of £477.40 was transferred out of the account on 23rd March and closed – a payment of £477.40 being made to the Parish Council's Main Account. Further, it was noted that Barclays Account No 70461474 balance of £4284.15 was transferred into the Main Account on 1st April leaving .10p in this account.

Refer Financial Regulation (5.1 – 5.4)

When the Cash Book is balanced a Receipts and Payments Account should be drawn up showing comparative years.

AGAR should then be compiled from the Receipts and Payments Account.

It was noted that some expenses had been included in the salaries column of the cash book. The salaries column of the cash book should be made up of all salaries paid to staff and HMRC payments only. This column is then transferred into BOX 4 of AGAR.

The Council holds a substantial balance. It should allocate some of this money into a reserve fund e.g., earmarked reserve for the play project.

Action – The salaries column of the cash book should be checked for accuracy i.e. the salaries column should not include expenses. All receipts should be included in the cash book.

Action – Year end Accounts should be compiled.

Action - Explanations should be given for + / - 15% variations between the boxes for years 2019/20 and 2020/21.

Action – Council to agree purpose of its reserves and attach this information to the year end accounts as a “note”.

Action – Council may opt to exempt themselves at a Council meeting if receipts and payments are both under £25,000

VAT

VAT remains unclaimed from July 2021.

Action – a claim should be made for 2020/21. VAT may be claimed on items which are on a VAT invoice or smaller till receipts.

Policies and Procedures (Standing Orders, Financial Regulations, FOI Publication Scheme, Data Protection)

Standing Orders and Financial Regulations are important documents for the internal control of the Council. However, it is not necessary to review them every year. For a small council such as West Dereham every third year is adequate unless the law changes or procedures change. The Asset Register could be reviewed during the year, but should always be reviewed at year end. As an example, the purchase made in March 2021 of a dog waste bin should have been included on the Asset Register for 20/21.

The FOI Publication Scheme should be reviewed annually and uploaded onto the website

Action –FOI should be reviewed and the contact details of the Clerk amended and the document put onto the website

The Council must have a Data Protection Policy and a Privacy Notice

Action – create and put onto the website (model documents are available from NPTS)

Allotments

Action - A list of allotment holders should be drawn up and detail of amount to be paid and when paid should be included. An excel spreadsheet will do this job. Include the allotments in the Risk Management Policy.

Employment matters

It is not clear whether the handyman is employed or self-employed. If the handyman issues an invoice and provides his own equipment then it is more likely that he would be treated as self-employed. The handyman completes a time sheet and thus may need to be treated as employed. If this is the case then the handyman should have a contract of employment. The salary should be entered in the salaries column of the cash book (refer above)

Thank you for entrusting this audit to me. If you require any further explanations then please contact me.

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3rd June 2021