

Internal Audit Report Durleigh Parish Council

Financial Year 2019/20

Date: June 2020

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I have completed an internal audit for Durleigh Parish Council in line with the requirements of the Annual Governance Accountability Return (AGAR).

In accordance with the AGAR the following internal control objectives were reviewed during the audit:

- A. Appropriate accounting records have been properly kept throughout the financial year.
- B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.
- C. The authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.
- D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.
- E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.
- G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.
- H. Asset and investments registers were complete and accurate and properly maintained.
- I. Periodic and year-end bank account reconciliations were properly carried out.
- J. Accounting statement prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cashbook, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.
- K. If the authority certified itself as exempt from a limited assurance review in 2018/19, it met the exemption criteria and correctly declared itself exempt
- L. The authority has demonstrated that during summer 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.

The audit was undertaken by reviewing documentation provided by the Parish Clerk including accounting records, bank statements, financial procedures and regulations, invoices and receipts. Some information published on the Durleigh Parish Council website including minutes from meetings and documentation in the Finance section was also reviewed.

Due to the restrictions because of COVID 19 the following control objectives were unable to be reviewed and therefore should be reviewed as a priority in the next internal audit.

- F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.

The chequebook was also unable to be examined to cross reference payments to the cashbook and bank statement so therefore should also be reviewed as a priority in the next internal audit. However the cheque numbers recorded in the cashbook were cross-referenced to the bank statement and all found to be in order with no gaps in cheque numbers.

The findings and recommendations for improvement as a result of the Internal Audit are listed in the table below.

AGAR Section /Findings Reference	Findings	Recommendation
B.1	<p>The items presented to Council for approval and reported in the minutes were not consistent throughout the year. The Financial Regulations in operation during the year seem to suggest that a schedule of <u>all</u> payments should be presented to Council and that schedule should be proposed and authorised by resolution of the Council. Not all payments made in the year were noted as approved in the minutes. However all payments except one and the Clerk's salary had an invoice or receipt and had received some form of approval.</p> <p>Looking at the updated Financial Regulations effective from March 2020 I can see that the approval process has been updated and is now clearer.</p>	Approval of payments should be applied consistently and in line with the Councils Financial Regulations.
C.1	The latest Risk Register published on the website at the time of the audit was 2016/17. The current Clerk was able to provide the Risk Register for 2018/19 which was electronically signed and dated by the previous Clerk in April 2019. There was no evidence that the Council reviews the Risk Register on a regular basis.	<p>The Risk Register available on the website should be updated to reflect the most recent version and should be reviewed and signed off by the Council on at least an annual basis.</p> <p>The Risk Register could be updated to include a RAG (Red Amber Green) status in colour to make it more user friendly so Members are able to easily identify the major areas of risk.</p>
D.1	The precept approved at the meeting in January 2019 according to the minutes was £5,618 but	The budget spreadsheet should agree to what

	<p>the budget for 2019/20 in the spreadsheet provided shows a budgeted precept of £5,670.</p>	<p>has been approved by the Council. It would be good practice to publish the approved budget for the year on the website as part of the minutes of the meeting in which the budget was approved.</p>
D.2	<p>The budget for 2019/20 shows comparatives (actuals and estimates) that are not reported on a consistent basis with some budget lines excluded or double counted in totals.</p> <p>The 2019/20 budget column shows an expenditure total of £15,087 which is £5k higher than the detail provided due to the double counting of capital expenditure.</p>	<p>The budget presented to the Council should be accurate and any comparatives used for decision making purposes are reported on a consistent basis.</p>
D.3	<p>There is very little detail or calculations to support the figures included in the 2019/20 budget.</p> <p>Looking at the budget for 2020/21 I can see that the budget setting process has now been updated and improved.</p>	<p>Calculations to show how the budget has been arrived at should be available to ensure transparency and accuracy.</p>
D.4	<p>The precept for the Council for 2019/20 did not cover the day to day running costs of the Council. However there was a surplus built up from previous years that bridged the gap.</p> <p>There are potentially two issues here:</p> <ol style="list-style-type: none"> 1) The Council is holding surplus funds unnecessarily 2) The annual precept is not covering the day to day running costs of the Council which could result in a large spike in the precept required from residents. <p>I can see from the January minutes that steps have been taken to address these issues in 2020/21.</p>	<p>The Council should ensure that going forward the precept covers the day to day running costs of the Council and that it does not build up an unnecessary surplus or reserves that aren't required.</p> <p>Any reserves that are no longer required should not be carried forward into future years and can be used to reduce any precept required.</p>
D.5	<p>There does not appear to have been any monitoring of actuals against the budget</p>	<p>The budget should be monitored</p>

	<p>throughout the year except for that done during budget setting. There are overspends shown against some of the budget lines but no evidence of formal approval of virements as per the Financial Regulations.</p>	<p>appropriately throughout the year and progress against budget reported to Council at least quarterly.</p> <p>Any overspends or underspends should be reported to Council with the appropriate formal approval documented for any virements required.</p>
G.1	<p>There was no documentation to show what the Clerk's salary for 2019/20 should have been or how the £2,500 included in the budget was made up.</p> <p>I couldn't see any evidence of salaries being reviewed and approved by the Council. The previous Clerk appears to have been both underpaid in 2019/20 and underpaid and overpaid in previous years.</p>	<p>Full details of salaries should be properly reviewed and approved by the Council on at least a yearly basis.</p> <p>Salary payments should be checked by a Council Member on a regular basis.</p>
G.2	<p>Incorrect pay amounts were being declared to HMRC. In addition the Council hadn't been making the correct payments due to HMRC in 2019/20 (and in previous years).</p> <p>There was a payment made to HMRC in May 2019 for part of the amount owed but the payment wasn't made from the Councils bank account. It is unclear where this payment came from and is assumed it was paid directly by the previous Clerk.</p>	<p>The Council should ensure correct pay amounts are being declared to HMRC and any payments due to HMRC are paid correctly and on time to avoid any penalties.</p>
G.3	<p>During the year the previous Clerk had a slight overpayment of salary of 18p/month due to what looked like a transposition error. The Clerks salary was also being paid gross. Salaries should be paid to the employee net of any taxes due to HMRC. As the employer the Council is responsible for making any payments to HMRC.</p>	<p>The Council should ensure that salary payments to the employee are made net of any tax/NI due.</p> <p>Salary payments should be checked by a Council Member on a regular basis.</p>
H.1	<p>The asset register is very basic.</p>	<p>The format of the register could be improved to include other key bits of information such as the</p>

		useful life, this can then be used to inform the budget setting process in future years.
I.1	Formal bank reconciliations were not completed throughout the Financial Year 2019/20.	Bank reconciliations should be completed at least quarterly. These should be checked along with the bank statements for the period and signed off by a Council Member (not the Chairman) as per the Financial Regulations.
J.1	The monthly 'income/expenditure balance sheet' mentioned in the minutes of the meetings is updated on a monthly basis with the previous version not kept. Therefore there is no audit trail of what has been previously reported to Council.	Copies of each of the monthly statements reported to Council should be kept and if appropriate form part of the minutes.
L.1	The notice of public rights and publication of AGAR was published on the website in June 2019 in accordance with the requirements. However the document had two different sets of dates in it. (One typed and one handwritten).	Care should be taken to ensure the notice published on the website only includes the correct dates to avoid confusion.

Overall the majority of the control objectives were being achieved throughout the financial year ended 31 March 2020 to a standard adequate to meet the needs of the authority. There were three objectives that were not achieved to an adequate standard and this should be addressed for the financial year ended 31 March 2021. During the audit I was able to see that progress to improve processes and procedures was made towards the end of the 2019/20 financial year and therefore the Council should be in a position where these control objectives are achieved to an adequate standard for the financial year ended 31 March 2021.