

## Internal Audit Report

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

Name of council:	Charley Parish Council		
Name of Internal Auditor:	Martin Cooke	Date of report:	4 <sup>th</sup> May 2020
Year ending:	31 March 2020	Date audit carried out:	27 <sup>th</sup> March & 4 <sup>th</sup> 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.***

### To the Chairman of the Council:

This internal Audit report was compiled following a number of independent tests / checks being undertaken using various financial records, documents, minutes etc both through the official website and during a virtual Zoom meeting with yourself (Maureen Havers) on the 4<sup>th</sup> May 2020.

The following topics were reviewed against our standard checklist format:

#### Book Keeping:

- All details were recorded manually in the financial ledge and appeared to be in order, up to the 6<sup>th</sup> November 2019, thereafter you confirmed payments and receipts are being filed awaiting the return of the Clerk from sick leave.  
***All details MUST be added to the ledger urgently so accounts can be reconciled for yearend and transparency regulatory requirements.***  
***I would recommend the council consider moving the accounts on to a digital format even if a basic spreadsheet for purposes of calculation, speed and accuracy.***
- Payments in the ledger were generally covered by invoices and minuted and authorised at the monthly PC meetings.
- Evidence was seen that VAT was claimed annually and had been claimed 4<sup>th</sup> September 2019.
- There were no recordings of S137 expenditure however, I noted in the January & March 2020 minutes there was reference to a possible contribution to the Church for the defibrillator, but this has not been approved.  
***Recommend the council consider this to be a parish asset simply housed within the church for the community rather than a contribution to the church to purchase the equipment.***

#### Due Process:

- Standing Orders & Financial Regulations as per NALC dated 2016 were displayed on the website, these were to be reviewed at the May 2020 AGM.  
***These MUST be reviewed approved and updated on website as soon as possible.***
- There was an Equal Opportunities Policy in place and a list of councillor's interests on the website.
- On the sample payments taken there was evidence of control with all being approved in Council, minuted and then paid by cheque.

- Meeting Agendas are informative and displayed on the PC website and the PC notice boards at least 3 clear days prior to meeting.
- Purchase orders were not raised for expenditure, generally such approval to proceed was confirmed by email or phone.
- Committee Terms of reference on website.
- The PC website is regularly updated by the Chair when information is made available and is fairly easy to navigate.

#### Risk Management:

- Scanning the minutes there didn't appear to be any unusual activity.
- Insurance cover is provided by Zurich (YLL122033-8193) and is up for renewal 9<sup>th</sup> July 2020.
- There was no evidence of an Annual Risk Assessment on the website or being conducted, the Chair confirms annually reviewing the village assets such as benches etc. but this is not recorded in the minutes.  
***There MUST be an Annual Risk Assessment in place, displayed on the website and reviewed annually.***  
***The actual risk assessments when undertaken MUST be minuted with relevant details and action required if any.***
- Minutes were initialled by page and signed by the chair at each meeting and there was evidence of regular reporting of bank balances at PC meetings.

#### Budget:

- The annual Budget and Precept were discussed and agreed January 2020 with the Precept being set at £4,500. However, the Budget document is not displayed on the website and we believe is in the Clerks documents.  
***The Budget MUST be displayed on the website as evidence to support the increase in the Precept.***
- Chair confirmed there were no specific reserves earmarked.

#### Payroll:

- The only person on the payroll was the Clerk who had a contract of employment, was paid monthly after approval at each PC meeting and paid tax to HMRC.
- There was no evidence that the Council were registered with the Pension Regulator.  
***Recommend this was reviewed and confirmed with some urgency.***
- There was a formal complaints procedure in place and displayed.

#### Asset Control:

- There was an updated valued register of assets (March 2020) on the website.
- There was no evidence of any records of deeds, articles and land registrations being held by the Council.  
***Recommend the Council seek clarity as to whether there are such articles and who holds them?***

#### Bank Reconciliation:

- It was noted there were two bank accounts, balances were minuted at PC meetings but there was no evidence that reconciliation was done regularly.  
***Bank accounts MUST be regularly reconciled, I recommend accounts reconciled monthly on statement receipt and noted in minutes.***

#### Year End Procedures:

- There was no evidence that the Yearend accounts had been prepared, bank statements and ledgers reconciled.  
***This MUST be done urgently.***
- Debtors & creditors recorded where necessary and there was evidence of a financial trail through records up to the 6<sup>th</sup> November 2019 as referred to earlier in my report.
- There was no evidence to confirm that the Section 1 & 2 of the Annual return were signed for 2018 / 2019?  
***This MUST be displayed on the website.***
- There was no evidence that this year's sections 1 & 2 of the Annual Return had been drafted ready for sign.  
***This MUST be completed and signed as soon as possible.***

Cemeteries: The Council has no responsibilities for any cemeteries.

Transparency:

- For transparency purposes the following require displaying / published as required by 1<sup>st</sup> July;
    - All expenditure over £100 (covered through displaying meeting minutes).
    - End of year accounts (Spreadsheet displayed) / Accounting Statement (last years NOT displayed).
    - Annual Governance Statement (last years NOT displayed).
    - Certificate of Exemption completed (last years NOT displayed).
    - Internal Audit report (last years NOT displayed).
    - Councillor responsibilities (NOT displayed).
- These documents MUST be displayed on the PC website.***
- Agendas and meeting papers are published as required and draft minutes were generally issued within one month but there were odd dates not available.

Miscellaneous:

- There was no evidence of the previous internal audit on the website however, there was reference to the Clerk discussing the internal audit with the auditor in the 22<sup>nd</sup> May 2019 minutes with details of recommendations and actions required.  
***This MUST be displayed and reviewed by the Chairperson not just the Clerk!***
- Chair confirmed Electronic files are backed up regularly.
- There was no evidence that the PC publishes annually on it's website an opportunity through "The Notice of Public Rights" a window of opportunity under Regulation 15(2)(b) of the Accounts and Audit Regulations 2015 that from 1 June to 12 July 2018 any person may inspect, and make copies of the accounts and all books, deeds, contracts, bills, vouchers, receipts and other related documents of the council for the year end.  
***This MUST be done annually.***

Transaction Spot Checks:

- A sample test check was carried out to agree accuracy of payments which included checking, Ledger date, Item / Budget heading, Cheque ref, when payment was minuted / approved, actual payment amount against minuted payment and invoice amount, VAT if relevant. All checked were in order with the exception of the March 2020 payments being entered in the actual ledger.

Annual returns:

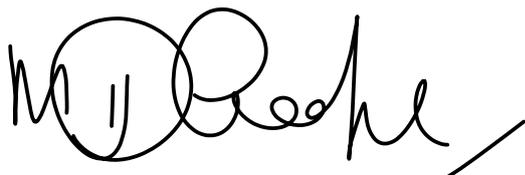
The annual return section 2 details (Year Ending 31<sup>st</sup> March 2020) would normally be set out at the end of this document with details of specific variances however, these are currently not available.  
***These details MUST be finalised and confirmed as soon as possible.***

This report is based on the evidence made available to me.

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.

I would like to conclude by thanking yourself for your patience and openness during our meeting.

Yours sincerely,



Martin Cooke

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

	Year ending 31 March 2019	Year ending 31 March 2020
1. Balances brought forward		
2. Annual precept	£4,000	£4,500
3. Total other receipts		
4. Staff costs		
5. Loan interest/capital repayments		
6. Total other payments		
7. Balances carried forward		
8. Total cash and investments		
9. Total fixed assets and long term assets	£2,020	£2,020
10. Total borrowings		

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.leicestershireandrutlandalc.gov.uk/uploads/governance-and-accountability-for-smaller-authorities-in-england-2018-sections-1-5-1.pdf>