

SKELTON-CUM-NEWBY PARISH COUNCIL

Internal Audit Report 2020/2021

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Background and Scope

The Accounts and Audit Arrangements introduced with effect from 1st April 2015 require all Town and Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. The Council complied with the requirements in the terms of independence from the Council decision making process appointing Voluntary Action Rotherham to provide an internal audit function to the Council; this report sets out those areas examined during the course of our investigation of the Council's Accounts and Accounting processes for 1st April 2020 to 31st March 2021.

Internal Audit Approach

The audit has been conducted in accordance with the direction of the Council set out in the approved minutes of the Council meeting held on 9 July 2020. The audit is not designed to identify all significant weaknesses in the Council's systems but, if such weaknesses come to our notice during the course of our examination, which we think should be brought to your attention; we shall report them to you.

The responsibility for the prevention and detection of fraud, error and non-compliance with law or regulations rests with the Council. The audit should not be relied upon to disclose all material misstatements or frauds, errors or instances of non-compliance as might exist.

In accordance with guidelines set out by the Governance and Accountability for Local Councils – practitioners' guide, our work plan consisted of an investigation to review whether the systems of financial and other controls over the Council's activities and operating procedures are effective. Areas covered by the testing included;

- Bookkeeping
- Due Process
- Risk management arrangements
- Budgetary controls
- Payroll control
- Asset control
- Bank reconciliation
- Year-end procedures
- Miscellaneous

Overall Conclusion

I am pleased to conclude and report that the Clerk has maintained a good standard of record keeping that has simplified the audit process. I have confidence that the figures lifted into the Statement of Accounts for the financial year ended 31st March 2021 are accurate.

The Parish Council should look to adopt new model Financial Regulations (NALC 2019) and ensure an annual insurance review takes place with a note in the minutes to record this.

To avoid confusion and increase transparency under the transparency code, I would advise that all items of expenditure over £100 are listed

as a separate item on the website, although these are included online in the minutes and electronic cashbook.

The risk management document was not reviewed during the year, this should be done annually and approved by Council.

A complaints procedure should be adopted and displayed on the website.

Further recommendations can be found in the body of the report.

Detailed Report

Bookkeeping

The excel cashbook is regularly maintained and kept up-to-date with a regular back up taken. Bank accounts are reconciled on a monthly basis and balanced back to the cashbook, I can confirm that the cashbook is arithmetically correct.

All payments selected for sampling were supported by invoices and minuted at monthly meetings.

S137 is separately identified in the cashbook. There has been no S137 expenditure during the year.

Value Added Tax (VAT) is separately identified in a column in the cashbook. VAT is reclaimed from Her Majesty's Revenue and Customs (HMRC) at least annually with a reclaim made in August 2020.

The parish council does not operate petty cash.

Due Process

The council was not exempt from the external audit in 2019-2020.

New model Standing Orders were re-adopted on 23 April 2020 (minute 20A). These were reviewed to include an addendum for working remotely and were approved on 23 April 2020 (minute 20A).

Financial regulations were to be reviewed to adopt new model Financial Regulations NALC 2019 however these have not been reviewed during the year due to the pandemic.

The council has good internal controls for payments; all payments require two levels of authorisation, with all payments approved at council meetings. There was no evidence that internal controls had been reviewed during the year.

I was able to evidence that the summons are signed, specified and displayed with three clear days' notice.

Risk management arrangements

All financial activities are minuted and approved at monthly Council meetings. Hard copies of the minutes were signed and initialled.

The annual risk assessment document was not reviewed during the year and was postponed due to the pandemic.

A review of the internal financial controls and systems is done annually; however this was also postponed due to the pandemic.

Current insurance cover is with Zurich Insurance. Notice boards were not covered by insurance at the time of purchase but this was updated with the insurance renewal in April 21. There was no evidence of annual insurance review during the year.

The Parish Council has adequate levels of insurance provision including Public and Employers liability and Fidelity guarantee.

The council has no cash investments

Budgetary controls

The Council set their budget on an annual basis in preparation for applying for the precept; it was set and approved on 8 October 2020 (minute 20.34). Actual income and expenditure is monitored against budgeted income and expenditure, however there is no evidence of a discussion around the budget against actual amounts spent. Any variance is explained and analysed on a report which is located on the website.

The Parish Council does not hold any earmarked reserves. There is a small amount of restricted grant funding remaining at the end of the year and this was identified separately in the cashbook.

The level of general reserves is within 3 and 12 months running costs.

Payroll controls

There are two paid employees of the Council; the clerk and a cleaner. A contract of employment is currently in place for the clerk. A job description clearly identifying the specific duties of the RFO/Clerk is incorporated within the contract. The cleaner has a letter of engagement in place with details of employment. The salaries and other payments made to employees are reasonable and have been approved by the Council on a quarterly basis.

Pay as You Earn and National insurance contributions are calculated by an outside payroll service. The RFO/Clerk pays any deductions calculated to the Inland Revenue on a quarterly basis.

The Parish Council have met its pension's obligations; both employees are under the lower earnings threshold.

The council have a grievance and disciplinary policy in place which was adopted on 20 May 2019.

Asset control

The Council maintains an Asset Register of all material assets owned or in its care. The asset register is reviewed annually, last reviewed on 9 July 2020. The value of individual assets are included on the

register. The council updated the values of assets on the asset register to reflect realistic replacement values.

Bank reconciliations

There is a consolidated bank reconciliation for both accounts; these are carried out upon receipt of the statements on a monthly basis. I have evidenced the final bank reconciliation for the year-end but have not been unable to verify the balance of the deposit account, there are no unexplained balancing entries.

Year-end procedures

Accounts are prepared on a receipts and payments basis. The accounts agree to the cashbook totals. A sample selection of receipts and payments were selected for evidencing, a clear audit trail exists and I was able to trace all transactions through to the bank account and all of the transactions were minuted for approval

Miscellaneous

Some points from the last audit have been met; the VAT reclaim was made during the year and received August 2020. The new model Financial Regulations (NALC 2019) have not been updated due to the pandemic.

I can confirm the council has adopted the Code of Conduct since July 2012; this was adopted 9 May 2019 and is displayed on the website.

The council have a privacy policy available on the website. There is no separate complaints procedure in place, this should be developed and adopted in the forthcoming year. The excel cashbook is regularly maintained and kept up-to-date with a regular back up taken.

The Parish Council has arrangements in place for the public inspection of records; this was correctly displayed on the council's website. The council is fully compliant with the transparency code.

The Parish Council has no investments or outstanding leases or loans. There are no tenancies in operation.