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To: Cheriton Fitzpaine Parish Council

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Internal Audit Report 2018/2019 for Cheriton Fitzpaine Parish Council

All Councils are required to implement an annual independent Internal Audit examination of its accounts, accounting processes and internal controls. The aim of the Internal Audit is to conclude as to whether a Councils systems of financial and other internal controls are adequate and effective. Testing has been carried out using a sampling system as deemed appropriate for the size of the Council.

This report details the results of the April 2019 Internal Audit for Cheriton Fitzpaine Parish Council which has been carried out in accordance with the requirements as detailed within the Governance and Accountability Practitioners Guide. The report also provides recommendations for the improvement of internal processes and a general summary for Council consideration.

Standard Documentation

- The Council has tested internal control systems regularly.
- The Financial Regulations were last reviewed in January 2019 and appear to be in order.
- The Standing Orders were adopted in May 2018 and are in order.
- A Code of Conduct is in place, although not dated, and appears to be in order. I recommend that this document is dated and circulated to all Councillors, annually, as a useful reminder.

Public Funds

- Payment controls are in place and it was evidenced that the Council oversees all payments.
- It is noted that the Clerk is currently studying for the CiLCA qualification, in order that the General Power of Competence can be adopted. I recommend that the Council continues to support the Clerk.
- Purchase and payment documentation cross checked to the Accounts was in order.
- VAT has been re-claimed as is required. It was noted, however, that VAT has incorrectly been re-claimed on some Insurance invoices. The Clerk has been made fully aware of this error and I recommend that future VAT re-claims are double checked by the Council prior to submission.
- Petty Cash – not held. Trust Funds – not held.
- The Accounts are kept up to date, are attended to regularly, and are easy to understand. I note a separate column within the Account for Section 137 payments is not in place, as is required, and I recommend that this is attended to as soon as possible and for this new accounting year. Following a discussion the Clerk has now confirmed understanding of Section 137 use.
- There is no Grant Funding Policy in place currently and I recommend that this is considered.
- Council borrowing is in place and the documentation appears to be in order. I note that the budget only allowed for 50% of the annual repayment amount for this year and so I recommend that this is checked when producing the next budget document.
- 'Other' income, such as income from Allotments and a Cemetery, have been accounted for correctly.
- The Accounts correctly record the Receipts and Payments method.

Risk Management and Budget Control

- There is a Risk Management Scheme in place which appears to be in order.
- The general Insurance policy has been regularly reviewed and is in order.
- A budget document is in place and has been used, by full Council, to set the annual Precept. The January 2019 meeting Minutes correctly record the Precept claim.
- Reserves appear to be adequate for the size of the Council and I note that, unusually, there are no 'earmarked' funds in place for pending projects. I recommend that this area is reviewed.
- Data Protection – there is no Privacy Statement or GDPR Policy in place and I recommend that this is addressed as soon as possible. Examples have been e-mailed to the Clerk.
- There does not appear to be a Freedom of Information/Publication schedule/document in place, as is required, and I recommend that this is considered as soon as possible. Information in this regard can be found on the Information Commissioners Office website.
- There does not appear to be a Complaints Policy in place and I recommend that one is considered.
- It is good to see that Training regularly takes place but there does not appear to be a Training Policy in place and I recommend that one is considered.
- A Statement of Internal Control is in place and is reviewed annually.
- IT backup is completed by way of hard drive and appears to be in order.
- Meeting Agendas correctly 'summons' Councillors to full meetings. It is noted that Agendas are not signed or dated, as is required, and I recommend that this is addressed as soon as possible. I would also like to see the agenda items be more explicit, for transparency, so that members of the public can tell exactly what is going to be discussed under each heading. Headings such as 'Allotments' or 'Roads and Footpaths' do not explain to the public, or Council, what is to be discussed. I recommend that this matter is reviewed.
- Meeting Minutes are clear and easy to read with decisions recorded appropriately.
- Annual membership of the Information Commissioners Office (ICO) has been confirmed.

Employment

- The Clerk is the only employees and a Contract of Employment is in place.
- PAYE is dealt with by the Clerk, through the on-line HMRC system, and I note that tax is not being deducted from gross salary as would be expected. I recommend that this matter is reviewed and, if tax is applicable, that future salary payments are adjusted accordingly. Contacting HMRC, in this regard, may be the best way forward to ensure that the Council is meeting its obligations as an Employer.
- Staff appraisals and pay reviews take place annually as is expected.
- I note that the Clerk is not in receipt of the tax free Working from Home allowance, as offered by HMRC, which the Council may wish to consider.

Asset Control

- The Councils Asset and Investment Register is currently being reviewed and, following a discussion with the Clerk, requires amendment. Once in order the document should be agreed by the Council and uploaded onto the Website, as is required of the Transparency Code.

Banking and Bank Reconciliations

- Monthly bank reconciliations are produced by the Clerk and are agreed by the Council.
- All cheque book stubs reviewed had been correctly initialled by two Councillors.
- Authorised signature numbers are in order and will be reviewed following the May Elections.
- The on-line banking process appears to work well and involves Council checks.

Year End

- The completed 2017/2018 Audit Return involved a Certificate of Exemption but on checking the figures on this form they did not tie up with the AGAR Section 2 Accounting Statement for the same period. I have advised the Clerk of this fact and the figures have now been adjusted. Due to this I have needed to record the issue on the AGAR Internal Audit Report. I recommend that, going forward, the AGAR document is thoroughly checked for accuracy to the bank statements and the Accounts, prior to sign off, to ensure that the same issue does not reoccur.
- The year-end Accounts, to 31/03/2019, are being prepared and the Clerk has advised that, due to the annual turnover remaining under £25,000, a Certificate of Exemption will again be an option for the Council to consider save the need for an External Audit. I strongly recommend that, due to the problems evidenced with last year's AGAR documentation, the Council considers taking up the External Audit option this year.

Summary

In my opinion Cheriton Fitzpaine Parish Council has some effective internal control checking processes in place. I would, however, strongly recommend that the Council double checks the regular bank reconciliations and year-end audit documentation so as to avoid the issues highlighted with the 2018 year end paperwork.

Several recommendations have been noted within this report which I hope the Council will take on board, and at its earliest convenience, as they have been provided to help with the lowering of risk to the Council in general.