

BRINSWORTH PARISH COUNCIL

Internal Audit Report 2019/20

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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 2019 to 31st March 2020.

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 16 May 2019. 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
- Adoption and application of standing orders and financial regulations
- Payment control
- Risk management arrangements
- Budgetary controls
- Income controls
- Petty cash procedures
- Payroll control
- Asset control
- Bank reconciliation
- Year-end procedures

Overall Conclusion

I am pleased to conclude and report that the Clerk/Responsible Financial Officer (RFO) has maintained a good standard of record keeping. I have confidence that the figures lifted into the Statement of Accounts for the financial year ended 31st March 2020 are accurate.

Area's identified for update or improvement are Standing Orders (should be overviewed annually), there are a number of other outstanding items that are yet to be approved, adopted and minuted, due to restrictions in place around Covid-19.

Fidelity guarantee during the year was low based on income levels for 2019/20. This should be monitored.

Further details can be found in the body of this report.

Detailed Report

Bookkeeping

The Parish council use computerised software, which is maintained and kept up-to-date. The records are backed up each night. The cashbook is arithmetically correct and is reconciled regularly to the monthly bank statements.

Standing orders and financial regulations

Model financial regulations were adopted on 17 October 2019, minute 2347. Purchase authority is defined in the financial regulations and they are properly tailored to the council.

Model standing orders have been adopted and approved in March 2019; there is no evidence of review during the year. Standing orders should be overviewed annually as part of the councils internal audit check.

Payment control

All payments are authorised and approved at monthly finance meetings. They are recorded on the computerised software where they are analysed into account headings based on the nature of expenditure.

During the period of this report there was £550 of S137 expenditure, this is easily identifiable in the cashbook and is within the agreed spending limit.

Value Added Tax (VAT) can be traced via the VAT reconciled statement and VAT summary. Identifying specific monthly vatable transactions is more difficult as figures in the cashbook summary are presented gross. This can be improved by showing the net and VAT breakdown on all monthly payment sheets. VAT has been reclaimed from Her Majesty's Revenue and Customs (HMRC) twice during the year, the amounts reclaimed agree to the cashbook.

Risk management arrangements

All financial activities are risk assessed and approved monthly at finance/council meetings. Electronic copies of the minutes were not initialled, hard copies were not checked.

I was provided with a copy of the risk assessment document but I was unable to verify when council approved this, as there was no mention of this within the minutes.

The last review of financial controls took place on 28 May 2019. New draft internal controls have been circulated to council but are to be formally approved due to Covid-19. No meetings have been held during the pandemic.

The Council has a number of policies, these were reviewed in March 2020, all items on the asset register are insured. There is no evidence of annual review within the minutes. The council holds Public, Employers Liability and Fidelity guarantee; the levels for Fidelity remain low based on the turnover for 2019/20. All other levels are appropriate for the size of the council.

The council has no cash investments.

Budgetary controls

The Council set their budget on an annual basis in anticipation of applying for the precept. The draft budget was approved at the finance meeting on 23 January 2020 (minute 2389F). Actual income and expenditure is monitored against budgeted income and expenditure, the frequency of reporting has decreased this year. Recommend quarterly monitoring in 2020/21.

There are some significant variances on the budget for 2019/20, the majority of these being Centre running costs. Where variances exist, these have been explained.

A list of earmarked reserves was provided as part of the internal audit, there is no evidence of these being approved in the minutes.

Income control

Income received is recorded on the computerised software and is banked promptly. During the year, the council received a reasonable amount of income into the Parish bank account that was owed to the Parish centre; this income was highlighted and paid over to the centre in a reasonable timeframe. The Parish centre now has everything in place to receive its own income.

Rotherham Metropolitan Borough Council via BACS pays budgeted precept income in two instalments in the year, half in April and half in September. The precept amount recorded in the cashbook agrees with the Council's notification.

Cash taken by the council is held in a safe in either the Pavilion or the Centre; key holders are restricted to key personnel.

Petty Cash Procedures

Petty Cash operates on an imprest system and is topped up monthly to the value of £500. All petty cash evidenced had a receipt provided. Receipts are not authorised by the issuer or receiver, however, petty

cash is authorised by two councillors at monthly meetings.

Payroll controls

There are contracts of employment in place for all permanent staff and have been signed by both parties, these have not been evidenced during the audit. The council approves salary payments each month; the last salary review was agreed and approved on 20 February 2020 (minute 2400F). Other payments to the Clerk are reasonable.

Pay As You Earn and National insurance contributions are calculated on a monthly basis in house using SAGE payroll software, liabilities are paid over to HMRC on a monthly basis.

The Parish Council has met its pension obligations with regard to Automatic Enrolment; they provide a pension scheme with NEST.

The Council has adopted a grievance and a disciplinary policy.

Asset control

The Council maintains an Asset Register of all material assets owned or in its care. This is kept up-to-date and clearly states the value of the asset; it is reviewed annually as part of the Annual Accounts but is still to be approved and adopted by council.

Bank reconciliations

Bank reconciliations are carried out monthly, the reconciliation consolidates both the Council's bank accounts. There are no unexplained balancing entries.

Year-end procedures

Accounts are prepared on an income and expense basis and agree to the reconciled cashbook, there is a clear audit trail, however, only gross figures are provided on monthly cashbook sheets making checks on VAT apportionment difficult.

Debtors and creditors are correctly recorded in the year-end accounts.

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

The council have a privacy policy in place that is available to view on the website.