

# Internal Audit

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## **Hailey Parish Council**

Year Ending 31 March

2020

**Internal Auditor: Robert Whitehouse**

## **Summary Checklist Report**

**This internal audit report is based upon the Association of Local Councils recommended checklist, introduced in 2016, in conjunction with the Practitioners' Guide to Governance and Accountability in Local Authorities.**

## Internal Audit Summary Checklist Report for Hailey Parish Council

**Year Ending: 31 March 2020**

<b>Name of Council</b>	<b>Hailey Parish Council</b>	<b>Name of Clerk to the Council</b>	<b>Lisa Wilkinson</b>
<b>No. Of Councillors</b>	<b>7</b>	<b>Name of RFO</b>	<b>Lisa Wilkinson</b>
<b>Quorum</b>	<b>3</b>	<b>Precept (for audit year)</b>	<b>£31,119 (excl Council Tax grant)</b>
<b>Electorate</b>	<b>1,300 (approx.)</b>	<b>Gross budgeted income</b>	<b>£31,119</b>

1. Book-Keeping			Comments & Recommendations
1.1	Ledger maintained & up to date?	Yes	The accounts are balanced to be up to date for the monthly Council meeting and are up to date to the financial year-end.
1.2	Arithmetic correct?	Yes	Checks of the computerised accounting system (Scribe) confirmed that the cashbook and other accounts arithmetic were correct.
1.3	Evidence of internal control?	Yes	<ul style="list-style-type: none"> <li>• Internal audit</li> <li>• Risk assessment policy</li> <li>• Risk management schedule</li> <li>• Budgetary control and monitoring</li> <li>• Bank reconciliation review by Council</li> </ul>
1.4	VAT evidence, recording and reclaimed?	Yes	The Council is able to recover VAT through the Local Authorities and Similar Bodies Scheme. A claim for repayment of VAT is made usually made quarterly, unless the refund is < £100. The last claim received in the year covered the period to 31/12/19. Testing indicated that VAT on income and expenditure had been correctly applied.
1.5	Payments in the ledger supported by invoices, authorised & minuted?	Yes	See Detailed schedule in Compliance Testing Report. All payments are authorised in monthly minutes.
1.6	Is GPC expenditure separately recorded and within statutory limits?	Yes	A separate GPC (formerly S137) cost centre is maintained in the Scribe Accounting records to record GPC expenditure.
1.7	Is GPC expenditure of direct benefit to the electorate?	Yes	All GPC expenditure incurred in the current financial year was in respect of activities relevant to the parish. I.e. a £500 donation to Hailey Festival.

## Internal Audit Summary Checklist Report for Hailey Parish Council

**Year Ending: 31 March 2020**

<b>2. Due Process</b>			<b>Comments &amp; Recommendations</b>
<b>2.1</b>	<b>Standing Orders adopted since 2010?</b>	<b>Yes</b>	The Clerk gave an assurance that Council reviewed the Standing Orders annually. Last review was March 2020 as minuted.
<b>2.2</b>	<b>Standing Orders reviewed at Annual Meeting?</b>	<b>Yes</b>	Standing Orders, together with other key Council governance documents, are usually scheduled to be reviewed and approved at the Annual meeting in May.
<b>2.3</b>	<b>Financial Regulations adopted?</b>	<b>Yes</b>	The Clerk gave an assurance that Council reviewed the Financial Regulations annually. Last review March 2020 as minuted.
<b>2.4</b>	<b>Financial Regulations properly tailored to Council?</b>	<b>Yes</b>	The current Financial Regulations are based on the current NALC model Standing Orders and Financial Regulations, adapted to suit the specific needs of the Council.
<b>2.5</b>	<b>Equal Opportunities policy adopted?</b>	<b>Yes</b>	An Equal Opportunities policy (Equal Access Policy) has been adopted by the Council as of 18 January 2018 and was reviewed May 2019.
<b>2.6</b>	<b>RFO appointed?</b>	<b>Yes</b>	Lisa Wilkinson was appointed as Clerk to the Council on 24/08/15, which included Responsibility as the RFO.
<b>2.7</b>	<b>List of member's interests held?</b>	<b>Yes</b>	The Clerk maintains and updates the list of member's interests as required. A link is available on the parish council website to the list of member's interests held at Hailey Parish Council.
<b>2.8</b>	<b>Agendas signed, informative and displayed with 3 clear days' notice?</b>	<b>Yes</b>	At least 7 days prior to the Council meeting the clerk prepares and signs the council meeting agenda, which lists matters for discussion and is posted on the Council's website and on notice boards around the village.
<b>2.9</b>	<b>Purchase orders raised for all expenditure?</b>	<b>Yes</b>	Most orders for goods and services are made by or confirmed by email.
<b>2.10</b>	<b>Purchasing authority defined in Financial Regulations?</b>	<b>Yes</b>	The Financial Regulations stipulate that purchases under £250 require an estimate; from £250 to £1,000 require 3 estimates; £1,000 to £10,000 3 quotes. Over £10,000, tenders required.
<b>2.11</b>	<b>Legal powers identified in minutes and/or ledger?</b>	<b>Yes</b>	Legal powers are recorded on invoices
<b>2.12</b>	<b>Committee terms of reference exist and have been reviewed?</b>	<b>Yes</b>	Terms of reference for Staffing Committee were adopted May 17 and reviewed May 19.

## Internal Audit Summary Checklist Report for Hailey Parish Council

**Year Ending: 31 March 2020**

<b>3. Risk Management</b>			<b>Comments &amp; Recommendations</b>
<b>3.1</b>	<b>Does a scan of the minutes identify any unusual financial activity?</b>	<b>No</b>	Minutes are prepared for all meetings of the Council, which meets monthly. No unusual financial activity was found in the minutes reviewed. Although no unusual, there was a large payment of £9,240 in January 2020 for a bus shelter. Council minutes are available to view on the Council's website.
<b>3.2</b>	<b>Is an annual risk assessment carried out?</b>	<b>Yes</b>	The Council has a formal risk assessment policy in place covering many of the areas of risk the Council may be faced with. The risk assessment policy is maintained by the Clerk and reviewed annually in May, as part of the review of Standing Orders and Financial Regulations.
<b>3.3</b>	<b>Is Insurance cover appropriate and adequate?</b>	<b>Yes</b>	The level and range of insurance cover (£10m public, £5m employer) appears to be adequate for the size of the Council.
<b>3.4</b>	<b>Evidence of annual insurance review?</b>	<b>Yes</b>	The insurance is renewed annually on 1st June. Insurance cover is currently placed with brokers BHIB. The Clerk undertakes a review of insurances prior to renewal to ensure that best value is obtained in respect of service levels and premiums.
<b>3.5</b>	<b>Internal financial controls documented and evidenced?</b>	<b>Yes</b>	Stipulated in the Standing Orders, Financial Regulations and Risk Management
<b>3.6</b>	<b>Minutes initialled, each page identified and overall signed?</b>	<b>Yes</b>	Minutes of all Council meetings are initialled by the chair of the meeting. Each page of the minutes is identified by a unique page number reference and all minutes are signed by the meeting chair and dated.
<b>3.7</b>	<b>Regular reporting and minuting of bank balances?</b>	<b>No</b>	Bank balances are presented to Council at each. Balances also minuted.
<b>3.8</b>	<b>GPC expenditure minuted?</b>	<b>Yes</b>	All expenditure is minuted, and the GPC expenditure incurred is specifically identified as GPC expenditure in the minutes. Recommendation from last year's internal audit adopted.

## Internal Audit Summary Checklist Report for Hailey Parish Council

**Year Ending: 31 March 2020**

4. Budget			Comments & Recommendations
4.1	Annual budget prepared to support precept?	Yes	A detailed budget is prepared annually by the Clerk.
4.2	Has budget been discussed and adopted by Council?	Yes	The budget for the financial year being audited was reviewed and approved by the Council at its November 2018 meeting.
4.3	Any reserves earmarked?	Yes	£7,500 allocated to renovate village hall.
4.4	Any unexplained variances from budget?	Yes	All variances of 15% or more are explained as per the Annual Return and year-end "Schedule of Variances".

4. Budget			Comments & Recommendations
4.5	Precept demand correctly minuted?	Yes	The approved precept demand of £31,119 was forwarded to WODC by the deadline and was correctly minuted.

5. Payroll - Clerk			Comments & Recommendations
5.1	Contract of employment?	Yes	The Clerk has a contract with the Council to undertake the duties of Clerk to the Council on an employed basis. The contract is for 10 hours per week. The contract with the Clerk is in accordance with NJC. Payment is made through PAYE.
5.2	Tax code issued/contracted out?	Yes	The Clerk submits monthly payroll returns to HMRC for her salary and the correct tax code is used.
5.3	PAYE/NI evidence?	Yes	Records provided via HMRC's Basic Tools free software.
5.4	Has Council approved the salary paid?	Yes	The Clerk is paid, monthly in arrears, on submission of a timesheet. Any changes to the clerk's remuneration and contract are approved by the Council. Council approves salaries for payment as part of the expenditure approval process. The Clerk's salary is approved within the setting of the annual budget.

## Internal Audit Summary Checklist Report for Hailey Parish Council

**Year Ending: 31 March 2020**

<b>5. Payroll - Clerk</b>			<b>Comments &amp; Recommendations</b>
<b>5.5</b>	<b>Other payments reasonable and approved by Council?</b>	<b>Yes</b>	The contract with the Clerk includes a monthly office allowance, which is £24.96. This is to cover incidental expenses of working from home. Other specific business and out of pocket expenses incurred by the Clerk are claimed at the same time as the claim for remuneration by the Clerk. The Council is registered for Auto Enrolment Pensions and the Clerk is enrolled.

<b>6. Payroll - Other</b>			<b>Comments &amp; Recommendations</b>
<b>6.1</b>	<b>Contracts of employment?</b>	<b>No</b>	N/A as the Clerk is responsible for all the financial and administrative affairs of the Council and there are no other employees.
<b>6.2</b>	<b>Does the Council have employers' liability cover?</b>	<b>Yes</b>	The Council has employer's liability cover.
<b>6.3</b>	<b>Tax code(s) issued?</b>	<b>Yes</b>	Yes
<b>6.4</b>	<b>Minimum Wage paid?</b>	<b>Yes</b>	The Clerk's remuneration exceeds both the applicable Minimum Wage and Living Wage.
<b>6.5</b>	<b>Disciplinary, Grievance &amp; Complaints procedures in place?</b>	<b>Yes</b>	A complaints and Grievance Policy has been adopted and disciplinary procedures are in the Clerks contract of employment.

<b>7. Asset Control</b>			<b>Comments &amp; Recommendations</b>
<b>7.1</b>	<b>Does the Council keep a register of all material assets owned?</b>	<b>Yes</b>	The Clerk is responsible for maintaining the manual asset register.
<b>7.2</b>	<b>Is the asset register up to date?</b>	<b>Yes</b>	The asset register was up to date as at the financial year-end.
<b>7.3</b>	<b>Value of individual assets included?</b>	<b>Yes</b>	All assets have an individual value on the asset register
<b>7.4</b>	<b>Inspected for risk and health and safety?</b>	<b>Yes</b>	A Councillor inspects the village assets e.g. play areas on a regular basis and reports back to the Council. Play equipment checked annually by ROSPA accredited inspectors.

## Internal Audit Summary Checklist Report for Hailey Parish Council

Year Ending: 31 March 2020

8. Bank Reconciliation			Comments & Recommendations
8.1	Is there a bank reconciliation for each account?	Yes	The Council holds the following bank accounts, all of which were operating in the financial year;  Unity Trust Current A/c 20376976 HPC Deposit A/c 61224689 COIF Public Sector Deposit Fund
8.2	Reconciliation carried out on receipt of statement?	Yes	The bank accounts are reconciled on receipt of bank statements.
8.3	Any unexplained balancing entries in any reconciliation?	No	n/a
8.4	Is the bank mandate up to date?	Yes	All payments are entered by the Clerk onto online banking and are authorised by two councillors who have their own login credentials. Cheques also require 2 signatories.

## Internal Audit Summary Checklist Report for Hailey Parish Council

**Year Ending: 31 March 2020**

9. Year-End Procedures			Comments & Recommendations
9.1	Year-end accounts prepared on correct accounting basis?	Yes	Day to day and year-end accounts are prepared on a Receipts and Payments basis.
9.2	Bank statements and ledger reconcile?	Yes	A full reconciliation of each bank statement to the corresponding account in the ledger as at 31st March was prepared and reviewed and approved by the Council.
9.3	Underlying financial trail from records to presented accounts?	Yes	The computerised accounting system provides a satisfactory audit trail to the underlying financial records.
9.4	Where applicable, debtors and creditors properly recorded?	Yes	Although not required to be recorded in the Receipts and Payments Accounts (i.e. cash based accounts), no outstanding debtors or creditors were identified at the financial year-end, other than VAT owed.
9.5	Has Council agreed, signed and minuted sections 1 & 2 of the Annual Return?	No	Section 1-Annual Governance Statement and Section 2-Accounting Statement, to be signed and minuted by Council on 8 June 2020.

10. Miscellaneous			Comments & Recommendations
10.1	Have points raised at the last internal audit been addressed?	Yes	Recommendations made in the last audit have been implemented.
10.2	Has the Council adopted a Code of Conduct since July 2012?	Yes	The Council adopted a Code of Conduct following the 2011 Localism Act in 2012.
10.3	Is eligibility for the General Power of Competence properly evidenced?	Yes	The Council is eligible for this particular power as May 2019.
10.4	Are all electronic files backed up?	Yes	Data on the Clerk's PC is backed up to a memory stick on a monthly basis. The Clerk is also looking at a cloud backup to reduce the chances of data loss.
10.5	Do arrangements for the public inspection of records exist?	Yes	The Transparency Act requires a significant amount of Council data to be available on the Council's website. Notice of audit is displayed as per external audit instructions. Outside of this period, inspection of records can be undertaken by prior appointment.



## Internal Audit Summary Checklist Report for Hailey Parish Council

**Year Ending: 31 March 2020**

11. Charities			Comments & Recommendations
11.1	Charities reported and accounted separately?	Yes	The Council is a trustee and is involved in the administration of the Allotment for the Labouring Poor Charity (Reg 258227) and Joan Smith Educational Charity (Reg 273885). Transactions are recorded in Scribe in separate ledger accounts. It's recommended the council consider keeping the charities on a different accounting system.
11.2	Have the Charity accounts been separately audited?	N/a	Not required.
11.3	Have the Charity accounts and Annual Return been filed within the legal time limits?	Yes	Both charities filed annual returns within the 10 month deadline on 21 January 2020.

12. Burial Authorities			Comments & Recommendations
12.1	All money received corresponds with the number of burials recorded and memorial permits issued?	Yes	There were 3 burials and 7 memorial fees.
12.2	Are fees levied in accordance with the Council's approved scale of fees and charges?	Yes	
12.3	Have all statutory books been kept safe and up to date? If electronic copies are held, are these backed up regularly?	Yes	
12.4	Do all internment of ashes have a certificate of cremation?	N/a	
12.5	Have the necessary permits, permissions, and transfer of Exclusive Burial Right (EBR) been completed correctly, documented and approved?	Yes	

13. Income Controls			Comments & Recommendations
13.1	Is income properly recorded and promptly banked?	Yes	
13.2	Does the precept recorded agree to the Council Tax authority's notification?	Yes	The precept and CTSG were received in the following instalments and recorded in the accounts: May 2019: £13,559.50 (50% of annual precept). October 2019: £13,559.50 (50% of annual Precept) The total precept received for 2019/20 was £31,119 as per the WODC notification
13.3	Are security controls over cash adequate and effective?	Yes	Only cash is from allotment receipts which are recorded and banked.

**Internal Audit Summary Checklist Report for Hailey Parish Council**

**Year Ending: 31 March 2020**

<b>14. Petty Cash</b>			<b>Comments &amp; Recommendations</b>
<b>14.1</b>	<b>Is all petty cash spent recorded and supported by VAT receipts where applicable?</b>	N/a	
<b>14.2</b>	<b>Is petty cash expenditure reported to Council?</b>	N/a	
<b>14.3</b>	<b>Is petty cash reimbursement carried out regularly?</b>	N/a	

## Internal Audit Summary Checklist Report for Hailey Parish Council

**Year Ending: 31 March 2020**

<b>TRANSACTION SPOT CHECK</b>						
<b>Check No.</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
<b>Transaction type</b>	Purchase invoice	Purchase invoice	Purchase invoice	Grant	Pay	Precept
<b>Supplier/Customer</b>	Swarco	Churches Fire	Littlethorpe	Hailey Football Club	Parish Clerk	WODC
<b>Invoice/Transaction No.</b>	90013178	SI19-029943	N/a	Copy of full invoice	January 2020	1909091
<b>Invoice/Transaction date</b>	17/05/2019	13/10/2019	18/12/2019	11/11/2019 Minutes page 197	31/01/2020	09/09/2019
<b>Goods/services supplied</b>	VAS Road Sign	Service of Extinguishers	Bus Shelter	For Football Kit	Salary & Expenses	Precept & Council Tax Rebate
<b>Ledger date</b>	10/06/2019	14/09/2018	14/01/2019	09/12/2019	10/02/2020	09/09/2019
<b>Item/Budget heading</b>	Capital	Pavilion	Capital	Donations	Clerk's Net Salary, £517.60 + 24.96 Clerks Expenses	Precept
<b>Ref/cheque No.</b>	Online Banking	Online Banking	Online Banking	Online Banking	Online Banking	Funds received
<b>Authorised by</b>	2*authorised signatories	2*authorised signatories	2*authorised signatories	2*authorised signatories	2*authorised signatories	Clerk
<b>Delivery evidence</b>	Councillor checked	Councillor checked	Councillor checked	Councillor checked	Clerk's services	Funds received
<b>Payment minute ref</b>	Page 3 of June 2019	Page 188	Page 207	Page 202	Page 207	N/a
<b>Payment value</b>	£2,974.03	£192.18	£9,240.00	£200.00	£542.56	£15,737.00
<b>Statement value</b>	£2,974.03	£192.18	£9,240.00	£200.00	£542.56	£15,737.00
<b>Payment Date</b>	12/06/2019	17/09/2019	13/01/2020	12/12/2019	18/02/2020	11/09/2019
<b>Timely payment</b>	Yes	Yes	Yes	Yes	Yes	Yes
<b>VAT recorded</b>	£495.67	£32.03	£1,540.00	n/a	n/a	n/a
<b>GPC recorded in ledger</b>	n/a	n/a	n/a	Yes	n/a	n/a
<b>GPC minuted</b>	n/a	n/a	n/a	Yes	n/a	n/a
<b>Notes</b>		Original invoice was incorrect, but re-issued and paid correctly				
<b>Pass</b>	√	√	√	√	√	√

**Internal Audit Summary Checklist Report for Hailey Parish Council**

**Year Ending: 31 March 2020**

<b>Any further comments</b>
The overall internal audit assurance rating is: VERY GOOD.

<b>Acknowledgments</b>
As with the previous year's internal audit, the help and co-operation of Lisa Wilkinson, Clerk to the Council is much appreciated by the internal auditor.

<b>Internal audit carried out by</b>	<b>(signed)</b> <i>RY Whitehouse</i>	<b>(print)</b> Robert Whitehouse
<b>Audit type (delete as appropriate)</b>	<b>INTERIM</b> <b>ANNUAL</b>	
<b>Date</b>	06/06/2020	

<b>For internal auditor's use only</b>	
<b>Part 3 of Annual Return form completed and signed</b>	06/06/2020
<b>Internal audit report/letter sent to Council</b>	06/06/2020

## Section 2: Compliance Testing Report for Hailey Parish Council Year

Ending: March 2020

2019/20 ANNUAL RETURN		Year Ending 31 March 2019	Year Ending 31 March 2020
1	Balances brought forward	£ 35,850	£ 57,625
2	Annual precept	£ 25,581	£ 31,119
3	Total other receipts	£ 22,712	£ 11,447
4	Staff costs	£ 6,883	£ 7,264
5	Loan interest/capital repayments	£ 0	£ 0
6	Total other payments	£ 19,635	£ 33,115
7	Balances carried forward	£ 57,625	£ 59,812
8	Total cash and investments	£ 57,625	£ 59,812
9	Total fixed assets and long term assets	£ 174,428	£ 186,526
10	Total borrowings	£ 0	£ 0
11	The Council acts as a sole trustee for and is responsible for managing Trust funds or assets	NO	NO