

Swanton Morley Parish Council

Internal Audit Report

Financial Year 2020-21

Prepared by Luisa Cantera, June 2021

I have completed an internal audit of the accounts for Swanton Morley Parish Council for the year ending 31 March 2021. My findings are detailed below using the tests provided in the Governance and Accountability (England) 2020.

I would like to thank the Clerk/RFO for providing me with all the information required for the Internal Audit.

Internal control	Test	Observations
Proper bookkeeping	Is the cashbook maintained and up to date?	Yes
	Is the cashbook arithmetically correct?	Yes
	Is the cashbook regularly balanced?	Yes
Standing Orders, Financial Regulations and payment controls	Has the Council formally adopted Standing Orders and Financial Regulations?	Yes
	Date Standing Orders last reviewed	Last reviewed February 2021, date of next review is February 2022. This document does not have to be reviewed every year, every 4 years is normally sufficient unless there is a change in legislation requiring a change
	Date Financial Regulations last reviewed	Last reviewed March 2020, date of next review is November 2021. Advisable to review this document once a year
	Has a Responsible finance officer been appointed with specific duties?	Yes
	Have items or services above the de minimus amount been competitively purchased?	In the majority of cases yes
	Are payments in the cashbook supported by purchase orders, invoices, authorised and minuted?	Yes, in the tests that I carried out the invoices were all available to read electronically
	Has VAT on payments been identified, recorded and reclaimed?	Yes, January to June 2020 VAT reclaim was received in March 2021.
	Is s137 expenditure separately recorded and within statutory limits?	Yes
	Have S137 payments been approved and included in the minutes as such?	Yes, this was a recommendation from last year and I'm pleased to see the Clerk highlighting S137 expenditure clearly in the minutes and accounts system

Internal control	Test	Observations
Risk management arrangements	Does a review of the minutes identify any unusual financial activity?	No
	Do minutes record the Council carrying out an annual risk assessment or review of their risk management scheme?	Yes. A risk management scheme was reviewed in February 2021
	Is insurance cover appropriate and adequate?	Yes - cover from October to September
	Are internal financial controls documented and regularly reviewed?	There are two internal control officers and their duties are detailed in Financial Regulations. Due to Covid-19 the financial checks have not been carried although the Vice-Chair has been carrying out spot-checks. The two callers going to re-start checks 1st quarter of 2021
Budgetary controls	Has the Council prepared an annual budget in support of its precept and has this been minuted as being approved?	Yes. The Council always has a separate budget setting meeting for all councillors and is open to the public. The reasons for decisions are clearly minuted
	Has the precept been calculated from the budget and been approved?	Yes, in January 2020
	Does the budget include an actual completed year?	No, councillors have to refer to the budget monitoring spreadsheet. See recommendations
	Is actual expenditure against budget regularly reported to the Council?	Yes, monthly
	Are there any significant unexplained variances from budget?	No
Income controls	Is income properly recorded and promptly banked?	Yes, although most receipts are now paid electronically which is much more efficient. Some funeral fees and allotment fees were paid by cheque and all promptly banked
	Does the precept recorded agree to the Council Tax authority's notification?	Precept of £78,865.04 agreed at January 2020 meeting and paid into Council's account in April and September in two equal halves
	Are security controls over cash and near-cash adequate and effective?	Yes

Internal control	Test	Observations
Petty cash procedures	Is all petty cash spent recorded and supported by VAT invoices/receipts?	No petty cash used
	Is petty cash expenditure reported to each Council meeting?	N/A
	Is petty cash reimbursement carried out regularly?	N/A
Payroll controls	Do all employees have contracts of employment with clear terms and conditions?	Yes
	Do salaries paid agree with those approved by the Council?	Yes
	Are salaries above the National Living Wage/Minimum Wage?	Yes
	Are other payments to employees reasonable and approved by the Council?	Yes
	Have PAYE/NIC been properly operated by the Council as an employer?	Yes. P60s provided for internal audit for both staff
Asset controls	Does the Council maintain a register of all material assets owned or in its care?	Yes
	Are the assets and Investments registers up to date? When were these last reviewed?	The asset register is up to date but I've asked the Clerk to review the figures as some items have a purchase value, others just a current value and some both, which means that it's difficult to work out total value of assets for the AGAR
	Do asset insurance valuations agree with those in the asset register?	Yes
Bank reconciliation	Is there a bank reconciliation for each account and is this reported to Council?	Yes. Councillors receive this information monthly
	Is a bank reconciliation carried out regularly and in a timely fashion?	Yes, monthly
	Are there any unexplained balancing entries in any reconciliation?	No
	Is the value of investments held summarised on the reconciliation?	Yes

Internal control	Test	Observations
Year-end procedures	Are year-end accounts prepared using the correct accounting basis (Receipts and Payments or Income and Expenditure)?	Yes - receipts and payments basis
	Do accounts agree with the cashbook?	Yes
	Has a year-end bank reconciliation been undertaken?	Yes (this was correct)
	Is there an audit trail from underlying financial records to the accounts?	Yes, everything was provided by the Clerk
	Where appropriate, have debtors and creditors been properly recorded?	Yes
Procedural	Is eligibility for the General Power of Competence properly evidenced?	Not applicable until the Clerk passes her CiLCA qualification - the Council uses s137
	Have points raised on the last Internal Audit report been considered by Council and actioned?	Yes
Burial Authorities only	Are fees levied in accordance with the Council's approved scale of fees and charges?	Yes
	Have fees for the cemetery been reviewed and agreed by Council?	Cemetery fees last reviewed in Autumn 2019. I recommend the Council reviews cemetery fees every 2 years
	Were comparisons made with other cemeteries prior to setting the fees?	Not known. I recommend the Clerk undertakes a comparison with nearby cemeteries when the Council next reviews the cemetery fees
	Have burial books been kept up to date and are they safely stored?	The burial books were not presented for internal audit - see recommendations below
Allotments only	Has a list of allotment holders with amounts paid to Council been submitted?	Yes - allotment holders pay either every 6 or 12 months. There is a separate bank account for allotment-related transactions (I think this is a good idea)
	Have fees for the allotments been reviewed and agreed by Council?	Allotment fees were last reviewed in 2019 (next review due late 2021). There is a very good allotment policy available on the website

Internal control	Test	Observations
Councils with charities only	Have Charities reported and accounted separately?	Yes
	Have the Charity accounts been independently audited?	Yes
	Have the Charity accounts and Annual Return been filed within the legal time limit?	Yes - can be found easily online on Charity Commission's website
General Data Protection Regulation (compliance from 25 May 2018)	Has the Council carried out an information audit?	Yes, next review due July 2021. Available to read on the website
	Has the Council put in place a privacy notice and policy?	Yes, next review due July 2021. Available to read on the website

Summary of my recommendations

Last year's recommendations - I am pleased to report that most of last year's internal audit recommendations have been carried out, for example the majority of invoices appear to be paid more quickly and all have been presented for internal audit, s137 is being highlighted in the finances, most bigger expenditure is being considered with 2-3 quotations or estimates, the minuting of selected contractors has been much clearer in the past year. I would still like to see the Wave (water bill) paid by direct debit.

Payment lists in minutes - Some of the payments listed in the monthly minutes are not complete. Ensure that all payments for approval are reported to the council.

Reporting income in the minutes - Include the date/period the income relates to as this will ensure the data is more meaningful.

Finance system - The Council has purchased a finance system which annually costs £520.50 before VAT so I feel it needs to be working better for you. At present, the Clerk is using it as a database but reporting to Council is by Excel - so this means a duplication of effort. Either the Clerk contacts Scribe for advice and training in order to provide reports to Council or the Council returns to using Excel and the Council spends £100 on getting the Clerk trained in intermediate use of Excel (which could work really well for your size of Council). My advice is to test Scribe during this financial year to see if the reports are what the Council wants and if not move back to Excel and a new template can be set up.

Telephone - The monthly telephone and broadband bill is almost £100 per month before VAT. I recommend looking at alternative providers as a price-comparison exercise this year.

Checking the finances during the year - I would like the councillors involved in checking the finances to re-start for the 1st quarter of 2021. If for any reason they are not able to come to the village hall the Clerk should share the electronic files and ensure this task is carried out and reported at the following council meeting.

Budgeting - The current budget spreadsheet (from which the precept is decided) needs to have the following columns added: the completed previous year, original budget set for current year, actuals to the date of the meeting/end of previous month, projected outturn (to 31 March that year), then finally the budget figures for the coming financial year.

VAT reclaims - I have done a spot-check on the VAT reclaim for April to June 2020 and there were 4 invoices not included. I ask that the Clerk goes back over the invoices for the whole year to include any missed VAT amounts in the next submission to HMRC. The VAT reclaim from July 2020 needs to be submitted as soon as possible (I suggest the Clerk aims to do this by September 2021).

Burial book and any additional burial spreadsheets - These should be presented for internal audit next year to check that they are being kept up to date.

Allotment holder list - These should be presented for internal audit next year so that payments can be checked.

Finally, I would like to say that I can see that the Clerk/RFO has settled into her role over the past year. I was particularly impressed that all files were presented electronically for my checks (many clerks still haven't achieved this)!