

**ALDHAM PARISH COUNCIL
INTERNAL AUDIT 2018/19**

A Proper Bookkeeping

- Is the cash book maintained and up to date?
Yes. An excel spreadsheet is maintained and updated each month. It contains separate worksheets for receipts and payments which have columns for types of transactions. The 'Year to Date' summary picks up the monthly totals (by transaction type) and slots them into monthly columns to build cumulative totals. The Year to Date summary also has a bank reconciliation section.
- Is the cash book arithmetic correct?
Yes.
- Is the cash book regularly balanced?
Yes.

B Financial Regulations

- Has the council formally adopted standing orders and financial regulations?
Yes. Both adopted at meeting 1 May 2018 (minutes 18/35 and 18/36) using NALC model documents.
- Has a Responsible Financial Officer been appointed with specified duties?
Clerk is also the RFO. Job description includes RFO duties
- Have items or services above a de minimis amount been competitively purchased?
Financial Regulations (4.1) specify clerk, in conjunction with chairman, can approve up to £500 (4.1); 3 estimates for amounts £100 to £4000; 3 quotes for amounts £4000 to £25,000 (11.1 h). The FR are silent on a threshold for tendering, but this is covered in section 18 of SO which has a threshold of £60,000 for tenders. For contracts valued between £25000 and £60000, 3 quotes would be obtained through contract finder in accordance with The Public Contracts Regulations 2015 (11.1b). During year, quotes obtained for Interpretation Boards (minute 18/62, 18/92, 19/10),
- Are payments in the cash book supported by invoices, authorised and minuted?
Yes. Finance item in the Minutes includes section 'To approve payments and to receive financial report'. Description and amounts are listed and totalled. The clerk prepares a monthly 'accounts for payment' summary, stapled to the source documents. Cheque number is written on the invoice. Two signatories sign the cheques and initial the cheque stub. I would expect signatories to scrutinise source documents before signing the cheques but there is still no evidence to this effect on the documents themselves. Evidence of internal financial control by councillors is particularly important because the clerk is also the RFO (i.e. there is no division of duties across two staff members) – see section 1 of the AGAR, particularly the response to question 2.
- Has VAT on payments been identified, recorded and reclaimed?
VAT is recorded in a separate column on the spreadsheet and also on a Tax Claim Refund sheet. The refund is reclaimed annually: total for 2018/19 of £975.35 claimed April 2019.
- Is s137 expenditure separately recorded and within statutory limits?
Council has adopted General Power of Competence. Donation to Community Bus £100 (minute 18/45), RBL £40 and Grapevine Magazine £400 (minute 18/97), Volunteer Gifts (minute 18/95) all made under this power.

C Risk Management

- Does a scan of the minutes identify any unusual activity?
Community Speed Watch (minute 18/60, 19/11); WW1 Commemorative Event (minute 18/78, 18/94). The precept was not increased for 2019/20 (minute 18/98)

and may not be sufficient to cover commitments for salary, planned maintenance and regular grants for the forthcoming year. Although reserves equate to more than 6 months operational costs, the spend will not be incurred evenly throughout the year and there are risks that the council's reserves will be further depleted. The situation of maintaining the precept at the same level is not sustainable and the risks do not appear to have been assessed by councillors.

- Do the minutes record the council carrying out a risk assessment?
Yes. Risk Assessment adopted at meeting 1 May 2018 (minute 18/37). Home working checklist for the clerk is a separate document, last reviewed April 2017 (next due in 2019 according to risk assessment).
- Has the council finalised its GDPR policies?
Data Protection info reported a meeting 1 May 2018 (minute 18/41). Privacy statement in place.
- Is insurance cover appropriate and adequate?
Yes. Renewal on 1st June 2018 through BHIB (who have acquired Aon's council insurance business). Public and products liability, Employer's liability, legal expenses, official's indemnity, libel & slander, fidelity guarantee, business interruption, money, set limits for property cover (Part A section 1 - so no need for extra premiums as a result of changes to the asset register, unless limits are exceeded).
- Are internal financial controls documented and regularly reviewed?
Internal financial control is restricted to signing cheques and could be strengthened by additional review and checking procedures e.g. ensuring amounts paid were either minuted decisions or meet contractual obligations, checking and initialling source documents, signing off salary calculations, signing off bank reconciliations, verifying condition of assets, assessing expenditure commitments, comparing actual against budget, etc.
- Are all risks identified and actions undertaken to mitigate risks?
Mostly. The risk assessment describes the risks and has columns for 'measures taken' and 'recommended reviews / actions'. It is generally comprehensive but risks relating to 'data breaches re GDPR' and 'loss of key staff' could be added. The third 'risk description' on the assessment is 'Unexpected reduction in income' with the measure stated as 'Maintain an adequate contingency fund – to be agreed as part of the annual budget'. The council has decided not to increase the precept for 2019/20 without fully assessing spend commitments and reserves requirements. This presents an element of risk to the council. Minutes indicate that mitigating actions are being undertaken i.e. Training / Events item on monthly agenda (including councillor training), Information Exchange item on monthly agenda includes reports on various assets needing attention; ROSPA Playground Inspection (minute 18/75). The checking of bank reconciliations needs to be evidenced as specified in FR 2.2. I would also suggest that source documents are initialled as well as the cheque stubs as evidence of internal financial control.

D Budgetary Controls

- Has the council prepared an annual budget in support of its precept?
Precept for 2018/19 was set at a sufficient level to cover 2018/19 forecast expenditure. Initial 2019/20 precept discussion at meeting 6 November 2018 (minute 18/98) decided to keep the budget requirement the same as last year (i.e. £12,000). The Clerk/RFO has prepared a 2019/20 budget based on the £12000 limit set by councillors. After a quick overview, I would conclude that the 2019/20 budget is insufficient to cover maintenance responsibilities, regular grants and

- salary - £5000 salary is budgeted whereas 2018/19 actual was £6536, and will increase in 2019/20 in line with NALC recommendations. Urgent review needed.*
- Is actual expenditure against the budget reported to the council?
Actual expenditure and year to date is reported to the council each month. The minutes do not record any commentary on the budget or variances during the year.
 - Are there any significant unexplained variances from budget?
2018/19 spend ex VAT of £14297.15 is within total income of £14959.40 (precept, grants and interest). A project during the year to purchase a speed gun was covered by a Locality Budget Grant.

E Income Controls

- Is income properly recorded and promptly banked?
There is only one banked receipt in the year (EALC bursary); all others are direct credits (precept, grants and interest).
- Does the precept recorded in the cash book agree to the district council's notification?
CBC pays in 2 instalments but notification does not show a split of precept, general grant and localised council tax support. The total of £12,091 (2 x £6,045.50 received April and September) from CBC agrees to the totals expected by Aldham PC of precept £11,102, and General Grant / Localised CT support £898.
- Are security controls over cash adequate and effective
No cash is handled by the parish council

F Petty Cash No Petty cash is held. (Financial Reg 6.21)

G Payroll

- Do salaries paid agree with those approved by the council?
Yes. Clerk completed CiLCA in March 2018. Change to salary approved at meeting 1 May 2018 (minute 18/50) to increase spinal point from SCP 23 to SCP 25 wef 1st April 2018. Clerk employed for 43 hours per month.
- Are other payments to the clerk reasonable and approved by the council?
Yes. Contract includes a monthly home office allowance of £25, paid with salary. The contract allows for reclaim of mileage at 45p per mile, parking, subsistence, office consumables and equipment (if agreed in advance). Each expense reclaim is paid by a separate cheque.
- Has PAYE / NIC and pensions been properly operated by the council as an employer?
HMRC RTI BASIC Tools is used; salary paid 1st of each month. The PAYE deductions were paid quarterly until Sep 2018 and thereafter monthly. Clerk does not qualify for auto enrolment and has decided not to opt in
- What controls exist over management of staff time and duties?
Clerk maintains an employee payroll sheet which shows contracted hours, hourly rate and home office allowance to calculate monthly salary. Clerk keeps chair informed about workload; busy weeks are generally compensated by quiet weeks. An annual staff appraisal is due in May 2019.

H Assets

- Does the council keep an asset register of all material assets owned?
Yes. A Supporting Note describes the Council's Assets on an A4 page; there are two areas of land and a list of Other Items. The sub total, three quarters of the way down the page, is the balance at 31st March 2017. Below that are three purchases made in 2017/18 and one purchase (Speed Gun) in 2018/19, giving a total at 31st March 2019 of £57867.67. The more recently purchased assets are included at

historic cost, some older assets are stated at insurance value from an earlier year (date unknown). The Supporting Note does not include replacement value of the assets or any other information to aid long term financial planning.

- Is the register regularly updated?
Register is updated at the year end
- Do asset insurance valuations agree with those in the asset register?
Asset register for 2018/19 does not show insurance value; only shows 'cost' as required for the annual return. The 'Declared values' on Part A section 1 of the insurance policy, includes £30k for war memorials, £5k for mowers and machinery and £12.5k for gates and fences which are not specifically mentioned on the asset register (supporting note). It also includes £12.5k for contents, £30k for street furniture, £50k for playground equipment and £10k for sports equipment. These are significantly higher than the 'costs' on the asset register, but it would be useful to confirm that the sums insured exceed the replacement value of these items.

I Bank reconciliations

- Is there a bank rec for each account?
Yes. 3 bank accounts: Community account and 2 Business Premium accounts
- Is the bank rec carried out regularly on receipt of statements?
Yes. Monthly for community account, quarterly for deposit accounts. The only transactions on the deposit accounts are quarterly interest receipts.
- Are there any unexplained balancing entries in any reconciliation?
No.

J Year End

- Are year end accounts prepared on the correct accounting basis (R & P / I & E)?
Yes. R & P basis
- Do accounts agree with the cash book and working papers?
Yes. The spreadsheet, kept throughout the year, builds the totals for preparation of the accounts.
- Is there an audit trail from underlying financial records to the accounts?
Yes. All receipts and payments are referenced and easy to track.
- Where appropriate, have debtors and creditors been properly recorded?
R&P does not require these to be recorded. The only debtor at the year-end is VAT reclaim of 975.35.

K Council Exempting itself from a limited assurance review

- Did the council meet the criteria?
Yes. Gross income and gross expenditure in 2017/18 were less than £25000.
- Was the exemption certified at a meeting?
No
- Was the appropriate notice displayed?
Yes. Certificate of Exemption completed 1 May 2018 and displayed.

(L not applicable).

M Trustees

- If the council is a trustee, has it met its responsibilities?
Not applicable

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16th April 2019