

# WICKERSLEY PARISH COUNCIL

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## Internal Audit Report 2019/20

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## **Background and Scope**

The Accounts and Audit Arrangements introduced with effect from 1<sup>st</sup> 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 1<sup>st</sup> April 2019 to 31<sup>st</sup> 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 March 2020. 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 has maintained a good standard of record keeping which has simplified the audit process. I have confidence that the figures lifted into the Statement of Accounts for the financial year ended 31<sup>st</sup> March 2020 are accurate.

Area's identified for update or improvement are Standing Orders, these should be overviewed annually. The financial regulations are in need of reviewing and approving (model financial regulations NALC

2019). The Council should look to increase the level of cover on Fidelity guarantee. Further details and recommendations can be found in the body of this report.

## **Detailed Report**

### **Bookkeeping**

The Parish council currently use both SAGE and excel computerised software, the council moved exclusively to SAGE in April 2020. The cashbook is arithmetically correct and reconciled independently to the monthly bank statements.

### **Standing orders and financial regulations**

There was no review of Standing Orders during the year, last reviewed and approved on 8 May 2017. Standing Orders should be overviewed annually as part of the councils internal control check.

Financial regulations have been adopted although these have not been reviewed during the year, last approved in July 2018. The Council should look to adopt new model Financial Regulations NALC 2019. Purchase authority is defined in the financial regulations and they are properly tailored to the council.

### **Payment control**

All payments are authorised at monthly council meetings. They are recorded on SAGE where they are analysed into nominal/account headings based on the nature of expenditure. Of the invoices selected for sampling there were two where no evidence could be traced.

During the period of this report there was £187.50 of S137 expenditure, this is within the agreed spending limit. Section 137 payments are recorded separately and easily identifiable with their own nominal code.

Of the transactions selected for sampling, all VAT was identified correctly. The Parish use accounting software, which separates the VAT into a control account making the process more difficult to audit. VAT is reclaimed/paid from/to Her Majesty's Revenue and Customs (HMRC) each quarter.

### **Risk management arrangements**

All financial activities are minuted and approved at monthly Council meetings. Electronic copies of the minutes were not signed, hard copies were not checked

A review of the financial controls and systems are carried out annually by the Council in the form of a Risk Assessment, amendments and recommendations are presented at Council meetings for discussion. This was last reviewed and approved by Council on 15 July 2019 (minute 5810.26).

I was provided with a copy of the current internal financial controls, these do not appear to have been reviewed during the period. Review controls annually and record in minutes.

The Council is insured with Aviva Insurance. The policy includes Public, Employers Liability and Fidelity guarantee. The level of Fidelity guarantee is low for the size of the Council; the Council should look to increase this value to minimum £500,000. There was no evidence of annual insurance review during the year.

The Council holds cash investments in a share fund.

### **Budgetary controls**

The Council set their budget on an annual basis in anticipation of applying for the precept. The budget was approved on 20 January 2020 (minute 5908/20). Actual income and expenditure is monitored quarterly against the budget and information provided to members of the Council. Any significant variance is explained and minuted at Council meetings.

Earmarked reserves are clearly stated; they were discussed and approved at the budget meeting in January 2020.

### **Income control**

Income received is recorded on SAGE and Excel and is banked promptly.

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.

The Clerk advises that any cash taken is stored securely in the locked office, banking is done regularly with no more than £100 being kept on site.

### **Petty Cash Procedures**

I am advised the Parish Council does not operate a petty cash system.

### **Payroll controls**

There are eight permanent paid staff, which include the RFO; all paid staff have contracts of employment in place, although these were not evidenced during the audit. Levels of remuneration for staff are not stated in the minutes. Payments for salaries are recorded and approved on the monthly payment schedule presented to Council. Other payments to the Clerk are reasonable and approved at monthly Council meetings.

Pay As You Earn and National insurance contributions are calculated on a monthly basis in house using SAGE payroll software, the RFO/Clerk sends out payslips and pays the PAYE deductions to the Inland Revenue on a monthly basis.

The Parish Council has met its pension obligations with regard to Automatic Enrolment.

The Parish Council has a grievance and disciplinary policy in place although this was last reviewed in 2016. *Recommend this be reviewed in the forthcoming year.*

### **Asset control**

The Council maintains an Asset Register of all material assets owned or in its care. This is kept up-to-date and is reviewed annually, as part of the year-end processes, due to the pandemic the Council is yet to approve the register. The asset register shows the original purchase cost of the assets. *I recommend inserting a separate column showing the value for insurance purposes.*

### **Bank reconciliations**

Bank reconciliations are carried out regularly, the reconciliation consolidates all the Council's bank accounts. Bank statements are received on a monthly basis, reconciliations can only be carried out once these have arrived. There are no unexplained balancing entries.

### **Year-end procedures**

Accounts are prepared on an income and expenditure basis and a list of debtors and creditors was made available. There was some difficulty in balancing the receipts and payments to income and expenditure as all figures are provided gross. There is an audit trail from underlying financial records to the 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.