

# Annual Internal Audit Report 2017/18

## FIVEHEAD PARISH COUNCIL

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation **during** the financial year ended 31 March 2018.

The internal audit for 2017/18 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Agreed? Please choose one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	✓		
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic and year-end bank account reconciliations were properly carried out.	✓		
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		
<b>K. (For local councils only)</b>			
Trust funds (including charitable) – The council met its responsibilities as a trustee.			✓

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

*SEE ATTACHED REPORT.*

Date(s) internal audit undertaken

*22/05/18*

Name of person who carried out the internal audit

*GORDON BALMER*

Signature of person who carried out the internal audit



Date

*30/05/18.*

\*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

\*\*Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).

## INTERNAL AUDITOR'S REPORT FOR FIVEHEAD PARISH COUNCIL YEAR ENDING 31<sup>ST</sup> MARCH 2018

I have examined the financial and business records of the Parish Council for the year 2017/18. I feel that recognition is required of the effort that the parish clerk and councillors have made in rectifying and correcting the findings highlighted at the last audit. The documentation presented for audit was clear, logical and comprehensive providing a well-defined record of the councils business and financial situation. These records have now been reviewed against the councils adopted regulations for compliance and accuracy. I have the following observations.

**POLICIES AND PROCESSES GENERAL** - existing policy documents were reviewed and accepted at the Annual Meeting of the Fivehead Parish Council 8 May 2017. The minutes of the meeting refer at 2673 (iv) to Mandatory Model Code of Conduct as it is applicable to Parish Councils. Is this the same document as the Fivehead Parish Council Member's Code of Conduct? If so then it should be stated as such for clarity.

Since the Annual Meeting, three further policy documents have been issued:

1. Fivehead Parish Council Policy in Respect of Handling Requests under the Freedom of Information Act 2000 and the Data Protection Act 1998 - adopted 6 Nov 17.
2. Fivehead Parish Council Grievance Policy - adopted 5 Feb 18.
3. Fivehead Parish Council Equal Opportunities Policy - adopted 5 Feb 18.

The council should note that from the 25 May 18 the General Data Protection Regulation replaces the Data Protection Act 1998. Council will require a GDPR policy and also the means to show compliance.

It was noted that the Council minutes frequently reference the Transparency Code for Smaller Authorities and have purchased a scanner to meet the requirements. Do the Council intend to adopt the code? Council may want to consider inserting clauses in future contracts allowing for disclosure of information in accordance with the code, reference para 9.

**FINANCIAL RECORDS REVIEW** - recommendations from the last audit were adopted during the period allowing tracking of invoices and ease of cross referencing of cheques. It was noted that Council minutes resolved to utilise internet banking, further evidenced in the last quarterly financial review, dated 11 Apr 18, which referred to internet banking for bank reconciliation. This will require amendment to Councils Financial Regulations.

Small item expenditure recording changes provided clarity of expenses with the exception of receipts 7 and 8. Have receipts 7 and 8 been claimed against expenditure in the current financial year?

No paying in slip could be identified for the Crown Inn and Gary Bailey for advertising invoice dated 30 Nov 17, however, a credit does appear in the bank statement, 4 Dec 18, equating to the amount.

No supporting documentation could be identified for paying in slip 100472 SALC Transparency Code.

ASSET REGISTER - it was noted that council has made progress towards the clarification of ownership of the Pound and getting it recognised as an unrecognised heritage asset during the year. Minute 2749 details a recommendation to get the Pound listed and claiming Adverse Possession, this appears to be at odds with email 'The Pound - good news' dated 1 Dec 17, which does not include a recommendation for Adverse Possession. Minuted statements at meetings should have a means of substantiation.

The 2017 Audit raised several queries with regard to assets not owned by the Parish Council but maintained by them. Comments made on the audit by Council appear to leave actions hanging with no follow up i.e. awaiting advice from Playing Fields Committee, Adverse Possession of Registered Land and Community Right to Bid. There is no evidence in Council minutes, other than the Pound, that these issues have been followed up or discussed. Are Council content that these matters have been satisfactorily resolved? Questions may well be raised with the forthcoming Insurance renewal where a new underwriter is to be engaged.

COUNCIL MINUTES - Council minutes are a concise record of the business of the council and as such should be logical and clear in their meaning, allowing non-attendees to fully understand the business discussed and the outcome. I found examples where minutes were illogical and unclear:

1. Minute 2674. Matters arising from minutes (3 Apr 17) and raised by members, sub para (g), refers to replacement hedgerows - the subject of hedgerows does not appear in the minutes dated 3 Apr 17.
2. Minute 2659 (e). Clerk took an action to check with SALC on propriety of JWe quoting for cemetery work - no evidence could be found of the action being further discussed in Council, or minuted, or closed.
3. Minute 2674 (f). Clerk advised that the deeds for the cemetery are held at the solicitors and not NatWest bank. Minute 2687 (d) - It is unclear from historical documents where the cemetery deeds are stored. NatWest Langport have no record of them. A formal request has been sent to the solicitors requesting confirmation that they hold them.

Quality organisations regularly maintain a record of actions, allocating ownership and evidencing closure. It is a means of tracking actions and ensuring that they do not lose visibility. Council may want to consider putting something similar in place.

This concludes the independent internal auditors report for Fivehead Parish Council, for year ending 31<sup>st</sup> Mar 18.



Gordon Balmer