

## INTERNAL AUDITOR'S REPORT FOR FIVEHEAD PARISH COUNCIL YEAR ENDING 31<sup>ST</sup> MARCH 2017

I have examined the financial and business records of the Council for the year 2016/17. It was evident that the comments of the previous internal audits I have carried out are being acted upon to improve council processes and practices. The financial spread sheets introduced by the current clerk provide a clear illustration of the council's financial status at any point during the year. The Parish clerk provided significant council financial and business records for inspection, however, only monthly summary bank statements were made available which prevented validation of end of month reconciliation statements. Those records supplied have been reviewed against the councils adopted regulations and policies for compliance and accuracy.

**POLICIES AND PROCESSES GENERAL** – the council had acted on previous audit report recommendations and a good many of the policy documents were generated or re-issued during the period and held in one folder providing a clear overview of policy requirements. I have the following general observations with regard to the policy documents:

1. There are inconsistencies with the various policy documents with regard to page numbering. The Financial Regulations document includes page number references in the index, however, the document contains no page numbers. Furthermore, some policy documents are unnumbered; some use the standard convention whilst the Members Code of Conduct uses the convention '1 of X pages'. A common standard should be adopted.

**COUNCIL STANDING ORDERS** – I have the following observations with regard to this document:

1. Standing Orders para 4a states that a sub-committee may be appointed whose terms of reference shall be determined by the council. The term 'shall' is taken as an instruction that must be undertaken. The Fivehead Parish Council – Members Responsibilities 2017 matrix details a Community Plan Sub-Committee; Minute 2547 references a Staffing Sub-Committee; Minute 2488b references an Emergency Plan Sub-Committee. No Sub-Committee terms of reference were evident during the audit.
2. Para 5j details the requirements of the annual meeting of the council which calls for review and adoption of the appropriate Standing Orders and Financial Regulations. Minutes of the Annual Meeting held on 9 May 2016, Minute 2524, only records re-adoption of the policies. Whilst it is recognised that both policy documents were subsequently amended and accepted at Minute 2594, Standing Orders detail the review as part of the annual meeting and if anything affects the compliance with Standing Orders, then it should be reflected in the appropriate Minute.
3. Para 5j details the requirements of the annual meeting of the council which calls for confirmation of the arrangements for insurance cover in respect of all insured risks. The meeting failed to address this requirement.
4. Para 5j details the requirements of the annual meeting of the council which calls for a review of the councils procedures for handling requests under the Freedom of Information Act 2000 and Data Protection Act 1998. Whilst minute 2524 re-affirms Freedom of Information Act, no mention is made of the Data Protection Act. No evidence could be identified within the documents supplied, of the council's processes with regard to handling requests under the Freedom of Information Act 2000 and Data Protection Act 1998.

COUNCIL FINANCIAL REGULATIONS – Para 2.2 requires a council member other than the Chairman or a cheque signatory to verify bank reconciliations on a quarterly basis. This process includes the requirement to sign the reconciliations and the original bank statements. Whilst it is acknowledged that a proforma has been produced and completed quarterly to record completion of this independent reconciliation, the reconciliations statements have not always been signed and none of the bank statements supplied had been signed.

COUNCIL HEALTH AND SAFETY POLICY - Page 3 of the policy document, last paragraph (unnumbered), Inspections and Documentation Review, details that 2 weekly inspection of village assets will be carried out and findings recorded. Whilst documents supplied for audit made reference to cemetery and churchyard inspections and inspections for dead branches, no evidence was supplied of the scope of the inspections or whether the inspections were completed. Compliance with this council requirement could not therefore be determined. It is recommended that the accident report form, produced by the council and supplied to contractors, should be included as an appendix to the policy document for completeness and ease of reviewing, in accordance with the above paragraph reference.

COUNCIL INFORMATION SECURITY POLICY – Page 2 Passwords, the policy details that laptop and email passwords are to be changed every six months. How does council evidence compliance with this requirement? Council may wish to consider adding this information to the Risk Management Report under para 7, Data Security.

FINANCIAL RECORDS REVIEW – as stated in the opening paragraph, only bank summary statements were supplied for audit purposes and as these summary statements usually covered the periods from the 20<sup>th</sup> of one month to the 20<sup>th</sup> of the successive month, end of month reconciliations could not be validated, although an end of year statement was provided and could be reconciled. Generally the accounts were well managed and illustrated with spreadsheets produced by the Parish Clerk. All spending was authorised and monitored throughout the year effectively. I have the following observations:

1. Governance and Accountability for Smaller Authorities in England Section 5 para 5.18 lays out the basic accounting principles for a successful accounting system, which references supporting vouchers, invoices or receipts. This implies that all receipts and payments should be supported with an appropriate document. The following receipts were not considered to be adequately supported:
  - a. Paying in counterfoil - 100457 £120 had no supporting document.
  - b. Paying in counterfoil - 100455 £120, had no amount detailed on the supporting document.
  - c. Beehive Storage paid for advertising, presumably by bank transfer, with no supporting document evident.
2. The following payments were not considered to be adequately supported:
  - a. Cheque 1794 £36.43 was issued for printer paper, ink and postage. Printer paper and ink supported by a receipt but no receipt evident for £17.45 postage.
  - b. Cheque 1762 £15.82 was issued for postage. No supporting receipt was evident.

These two payments are reflected in the petty cash book which is in effect a record of postage. Whilst some larger items of postage were supported by receipts, individual stamps

were not, which accrued to reflect the above amounts. It is recommended that the clerk obtains receipts for all postage purchases.

c. Cheques 1724 and 1725 were paid to the village hall and playing fields committees and whilst their committee minutes detailed requests for support, no receipts were evident.

3. Council Financial Regulations detail the process to be followed for all orders for work, goods or services, para 10. Para 11.1 details the procedure for the raising of contracts and states that every contract shall comply, with no exceptions, other than in an emergency provided that this regulation need not apply to contract which relate to a list of items (i) to (vi). Para 11 provides further information on letting contracts greater than £25k, below £25k and greater than £4k, below £4k and greater than £500, otherwise Regulation 10.3 shall apply. Therefore for works below £500 Regulation 10.3 shall apply. Regulation 10.3 States 'All members and officers are responsible for obtaining value for money at all times. An officer issuing an official order shall ensure as far as reasonable and practicable that the best available terms are obtained in respect of each transaction, usually by obtaining three or more quotations or estimates from appropriate suppliers, subject to any *de minimis* provisions in Regulation 11.1 below'. *De Minimis* translates as minimal things. My query would be, does the *de minimis* refer to the list (i) to (vi) or sums of less than £500?

COUNCIL MINUTES – the council record of minutes for the period covered by the audit were reviewed and proved to provide a comprehensive, clear and concise record of the business of the council. I have the following observations to make on the council minutes:

1. Minute 2524, it is unclear what is meant in the minute by reaffirming implementation of items b-d.
2. Minute 2524 makes reference to Terms of Reference for Internal Audit, this document was not supplied for audit and has not therefore been reviewed.
3. Minute 2524 makes reference to Scheme for the Payment of Councillors Allowances, this document was not supplied for audit and has not therefore been reviewed.
4. Minute 2491 resolves to sign-up for online banking. Minute 2541 places the resolution on hold. Is this therefore not an amendment to a resolution under Councils Standing Orders, Para 1, Rules of Debate at Meetings, requiring further motion? By placing this resolution on hold it no longer appeared on subsequent meeting minutes and runs the risk of being overlooked.
5. Minutes 2628, 2639 and 2660 follows a trail of tackling speeding on Butchers Hill, with a solution of placing a SID on **Ganges Hill**. Should this read Butchers Hill or have Highways provided an incorrect solution?

ASSET REGISTER – it is considered that there has been considerable progress with regard to the asset register and several leading questions have been addressed. However, I feel that the current register raises further questions with regard to:

1. Langford Corner, detailed as not owned by the council, but maintained by them. This then raises the question of who does own it and is responsible for maintenance? Several years ago council investigated selling Langford Corner to adjacent home owners, was it councils to sell?

2. The Pound, detailed as not owned by the council but maintained by them. Again this raises the question of who does own it? The Gov.uk website states that all common land has an owner, which should be detailed in the councils register of common lands and village greens. NB. The Pound is actually listed as the village pond.
3. War Memorial, again who does own the war memorial? Does it fall under the community asset category?
4. Playing fields, I do not believe that because the Playing Fields are a registered charity they therefore come under the ownership of the charity commission. Councillors are custodian trustees, Playing Fields Committee are management trustees and I believe the Playing fields could be a community asset.

RISK MANAGEMENT – the questions raised by the review of the Risk Management Report have mostly been highlighted previously in this report from the review of other documents, but it is felt that it is worth reiterating them for completeness and with relevance to the risk management report.

1. Para 2 refers to record books for the recording of inspections of council assets and dead branches. These record books will evidence compliance with councils own policy with regard to scheduled inspections and as such should be presented as evidence for the next audit. However, as mentioned previously, assets to be inspected should be detailed and scope of inspection included.
2. Para 2e refers to property deeds being lodged with Foot Anstey solicitors. The asset register details Cemetery deeds held at Nat West Langport. The Risk Management Report requires updating to reflect that deeds are held in two locations. Is the closure of Nat West a risk that has been considered by council?
3. Para 5, Terms of Reference of the Internal Audit and Scheme for the Payment of Councillors Allowances, were also adopted under Minute 2524. Council should consider placing copies of these documents in the policy pack for visibility and regular review.
4. Para 7 Data security, council may wish to consider including the fact that email and laptop passwords are changed every 6 months, but consideration needs to be taken of evidencing compliance.

This concludes the internal auditors report for Fivehead Parish Council for year ending 31<sup>st</sup> March 2017 .

Gordon Balmer