

Annual Internal Audit Report 2018/19

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 2019.

The internal audit for 2018/19 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.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
H. Asset and investments registers were complete and accurate and properly maintained.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I. Periodic and year-end bank account reconciliations were properly carried out.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
K. IF the authority certified itself as exempt from a limited assurance review in 2017/18, it met the exemption criteria and correctly declared itself exempt. ("Not Covered" should only be ticked where the authority had a limited assurance review of its 2017/18 AGAR)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
L. During summer 2018 this authority has correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations.			Not applicable <input checked="" type="checkbox"/>
M. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	<input type="checkbox"/>	<input type="checkbox"/>	Not applicable <input checked="" type="checkbox"/>

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

Date(s) internal audit undertaken

17th MAY 2019

Name of person who carried out the internal audit

GORDON BALMER

Signature of person who carried out the internal audit

Gordon Balmer

Date

17th MAY 2019

*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).

see attached report

**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).

no petty cash held

INTERNAL AUDITOR'S REPORT FOR FIVEHEAD PARISH COUNCIL YEAR ENDING 31ST MARCH 2019

Clerk's annotations in red italic

I have examined the financial and business records of the Parish Council for the year 2018/19. The documents presented for audit were logically laid out, comprehensive and complete with the exception of the Equal Opportunities Policy which I was unable to identify. *Clerk: this was included in the folder but not located by Auditor.*

POLICIES AND PROCESSES GENERAL – much work has been done during the year with the introduction of GDPR, requiring amendments to be made to the Council's Standing Orders, Freedom of Information and Data Protection Policies. New Policies issued during the year were:

1. General Privacy Notice - adopted 4 June 2018.
2. Privacy Notice – adopted 2 July 2018.
3. Data Privacy Policy - adopted 6 August 2018.
4. Data Protection Policy - adopted 6 August 2018.
5. Subject Access Guidance Notes - adopted 6 August 2018.
6. Subject Access Request Details adopted 6 August 2018.
7. Data Security Incident Procedure - adopted 6 August 2018.

I have the following observations to make on the Council's Policies and Procedures documents.

Financial Regulations.

Para 4.2 states that no expenditure may be authorised that will exceed the amount provided in the revenue budget for that class of expenditure other than by resolution of the council or delegated committee. During the budget year and with the approval of council having considered fully the implications for public services, unspent and available amounts may be moved to other budget headings or to an earmarked reserve as appropriate. Minute 2845 6 August 2018 identified from the interim statement that the RFO produces for every council meeting that there were minor overspends on individual lines. This included an overspend on War Memorial repair whilst receipt of a grant was awaited and other grants (refreshments at the war memorial rededication). These two items should not have been paid until there were sufficient funds against each class. The council delayed moving funds to cover these costs until the October meeting. The council had two options:

- A. Pass a resolution to exceed the amount provided.
- B. Move funds from reserves to cover the amount BEFORE the bills were paid then move unspent funds back to reserves at the end of the financial year.

Council were in breach of their financial regulations in that they authorised the expenditure, without passing a resolution, knowing that there were insufficient funds in the class of expenditure to cover the amount at the time the bills were paid. *Clerk: clerical error. Agreed at*

Min 2957 Resolution to retain wording in Financial Regulations, and to follow the procedure by passing a Resolution whenever there is an overspend in a revenue class.

FINANCIAL RECORDS REVIEW – the financial records were clear, accurate and logically documented and no errors were evidenced during the review. It was noted that on-line banking had been adopted during the period covered by this audit and Minute 2796(f) did reflect this with a resolution to amend Financial Regulations and to approve a Schedule of Payments form to enable financial control whilst using on-line banking. Use of the forms was evident for on-line payments. The design of the form was clear, logical and made provision for internal auditing. The approved form should form an Annex to the Financial Regulations. *Clerk: included in Financial Regulations at Min 2957.*

ASSET REGISTER – it was noted that council has made little no progress in getting the Pound listed. It was disappointing to note that the Council have decided to take no further action in establishing the War Memorial and Green established as a Village Green or establishing Council ownership, despite having the War Memorial renovated and funding a memorial seat on the Green. Historic documents recognise the Council have responsibility for maintenance of the area and this too could be used to gain ownership. Since the last application in 1972, The Growth and Infrastructure Act 2013 has made a number of significant changes to the law on registering new town and village greens under the Commons Act 2006. Town and village greens developed under customary law as areas of land where local people indulged in lawful sports and pastimes. These might include organised or ad-hoc games, picnics, fetes and similar activities. Most greens were registered in the late 1960s under the Commons Registration Act 1965. Provided the right to apply has not been excluded anyone can apply under section 15(1) of the Commons Act 2006 to register land as a green if it has been used by local people for lawful sports and pastimes 'as of right' (ie without permission, force or secrecy) for at least 20 years. for Adverse Possession. Minuted statements at meetings should have a means of substantiation. *Clerk: for PC discussion.*

COUNCIL MINUTES – whilst brevity is essential for Council minutes there is still the requirement to provide an overview of Council Business and decisions. There are still occasions identified within the minutes where an item loses track or is dropped completely.

1. Minute 2885(iii) Langford Corner - Their professional advice (Greenshutters) is to total clear the area and plant through a membrane to minimise future maintenance and costs. Arrangements will be made to follow their advice. Minute 2918 chose to ignore this advice with turf preferable to bark. *Clerk: the meeting agreed that they preferred turf to bark.*
2. Minute 2897 raised the question of a dog walking area being established on the Playing Fields and an action was placed to be discussed at the next PFMC. This action was further documented at Minute 2907 (g). The subject was further documented at 2918(g), but the action had been dropped from the paragraph. The subject was not documented at the next meeting and therefore this action has been lost. Actions from meetings require closure and therefore this is a failure of the current system. *Clerk: the action passed to the PFMC. The outcome of that discussion should have been recorded in subsequent PC Minutes.*

I further question the use of Matters of Report, Questions and Items for the Next Meeting, where items do not always get discussed or documented.

1. Minute 2845 Councillors - Crown Inn advertising (subject to receipt of details from the Down Inn) for next meeting. Nothing was minuted at the next meeting or subsequent meetings on the subject. *Clerk: nothing was ever received from the Crown Inn.*
2. Minute 2855 The possibility of obtaining bulbs from SSDC will also be investigated. This was reported under Minute 2865, Matters of Report, Questions and Items for the Next Meeting. Should this not have been reported and documented under Matters Arising? *Clerk: clerical error not to chase and record.*

This concludes the independent internal auditors report for Fivehead Parish Council, for year ending 31st Mar 19.

Gordon Balmer