

<b>Internal Audit:</b>	<b>Stalisfield Parish Council 2019/20</b>		
<b>Prepared by:</b>	Christine Webster	<b>Date:</b>	July 2020

**Overall objective: To ensure that the financial transactions of the Parish Council are properly administered and accounted for.**

Scope	Risk	Expected/actual Control	Tests	Summary Findings	Conclusions / Recommendation/ priority																																		
<b>Scope heading A:</b>																																							
Appropriate accounting records have been kept properly throughout the year	Transactions may be undertaken which are not included in the accounting statements	<ul style="list-style-type: none"> <li>All transactions (cash and cheque) are recorded promptly</li> </ul>	Review cash book, compare against Parish Council meeting minutes for all transactions	There does not appear to be any cash transactions  The accounting record includes all transactions that were approved at Parish Council meetings. The value of one transaction was not noted in the minutes (cheque 274 £10.00; reissue of cheque 224. Checked against 2018/19 accounts – to agree £10) and the direct debit to NEST was not approved by the Council.	OK																																		
		<ul style="list-style-type: none"> <li>Reconciliations are undertaken to agree the bank account against the local record</li> </ul>	Re-perform bank reconciliation	Confirmed that bank statement can be reconciled to accounting record. However, this was not completed fully on the account – there was no agreement to the bank account, and no evidence of review by a Councillor.	1. The accounting record should be reconciled regularly to the bank statement. This reconciliation should be prepared by the finance officer/clerk and reviewed by a second person, who should check accuracy and sign as evidence of the check  <b>Priority: High</b>																																		
<b>Scope heading B</b>																																							
This authority met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	<ul style="list-style-type: none"> <li>Financial responsibilities may not be identified and met</li> <li>Inappropriate or fraudulent transactions could be made</li> <li>VAT may not be paid or recovered where appropriate</li> </ul>	<ul style="list-style-type: none"> <li>Financial Procedures set out control requirements</li> <li>All transactions (cash and cheque) are supported by invoices or receipts</li> <li>Two out of five people required to sign cheques</li> <li>VAT returns are not appropriate</li> </ul>	Confirm controls in FPs  Confirm supporting documentation for all transactions  Confirm evidence of expenditure approval	Financial Procedure requires that two people should be involved in agreeing all payments. In particular: <b>All invoices for payment shall be examined, verified and certified by the RFO.</b>  Confirmed adequacy of supporting documentation for 15 expenditure transactions. Exceptions: <ul style="list-style-type: none"> <li>9/15 payments were not supported by receipts but all payments were evident in minutes of meetings, except for the NEST direct debit.</li> <li>V283: Salary and expenses £665.53 includes £106.60 for expenses which are not supported by receipts where expected (e.g. for postage, internet). No evidence of independent review on timesheet or expenses spreadsheets</li> </ul> Of the 6 transactions for which supporting documentation is provided, 0 have evidence of a 2 <sup>nd</sup> person authorising payment at the same time as raising the cheque.	2. All payments should be supported by valid invoices / receipts, showing description of items and value. They should be signed by the approver(s) to confirm that they agree to cheque details and relate to Council business. Ideally this should be done at the same time as the cheque is signed.  Where official receipts cannot be provided, supporting vouchers should be signed by two people to confirm accuracy and validity of payment.  <b>Priority: High</b>																																		
		<ul style="list-style-type: none"> <li>Significant financial liabilities are known and paid (including election costs, insurances, village green and church costs) Budget agreed at start of year</li> </ul>	Confirm evidence of budget prepared for 2019/20	Minutes of meeting on 22.1.19 refer to precept of £2900 agreed. Minutes of meeting on 9.1.20 state Councillors considered the forecast for 2019-20. Budget on file identifies main expenditure (>£150) as follows: <table border="1" data-bbox="1240 1675 2309 1942"> <thead> <tr> <th></th> <th>Budget</th> <th>Actual</th> <th>Variance &gt; 15%</th> </tr> </thead> <tbody> <tr> <td>Clerk's salary PAYE</td> <td>850</td> <td>941.95</td> <td></td> </tr> <tr> <td>Insurance</td> <td>220</td> <td>218</td> <td></td> </tr> <tr> <td>Donations</td> <td>200</td> <td>320</td> <td>£120 (60%) – additional donation</td> </tr> <tr> <td>Subscriptions</td> <td>200</td> <td>195.88</td> <td></td> </tr> <tr> <td>Election costs</td> <td>200</td> <td>0</td> <td>No election costs</td> </tr> <tr> <td>Lawn mower service</td> <td>150</td> <td>0</td> <td>No service costs</td> </tr> <tr> <td>Grass cutting - village</td> <td>400</td> <td>400</td> <td></td> </tr> <tr> <td>Grass cutting – church yard</td> <td>320</td> <td>0</td> <td>No church yard cutting</td> </tr> </tbody> </table>		Budget	Actual	Variance > 15%	Clerk's salary PAYE	850	941.95		Insurance	220	218		Donations	200	320	£120 (60%) – additional donation	Subscriptions	200	195.88		Election costs	200	0	No election costs	Lawn mower service	150	0	No service costs	Grass cutting - village	400	400		Grass cutting – church yard	320	0
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Scope	Risk	Expected/actual Control	Tests	Summary Findings	Conclusions / Recommendation/ priority
				Confirmed that 20/21 budget appears more realistic as it does not include grass cutting for the church yard and does include £100 for a Xmas tree.	
<b>Scope heading C</b>					
This smaller authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these	<ul style="list-style-type: none"> <li>Significant risks may not be anticipated and mitigated, which could result in failure to achieve objectives</li> </ul>	<ul style="list-style-type: none"> <li>There is awareness of significant risks, and these have been documented</li> <li>Mitigating actions have been identified, including responsibilities and time scales. Progress with implementing mitigations has been monitored.</li> </ul>	Review documentation of risk assessment	Risk assessment dated January 2018 has been provided. This will be presented to the meeting in July 2020. Therefore the risk assessment is more than 2 years old.	<p>3. The risk assessment should be refreshed at least annually.</p> <p><b>Priority Medium</b></p>
<b>Scope heading D</b>					
The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored, and reserves were appropriate	<ul style="list-style-type: none"> <li>Precept requirement may be inadequate or overestimated</li> </ul>	<ul style="list-style-type: none"> <li>A budget has been prepared based on realistic estimates of requirements for the year</li> <li>Significant variances between budget and actual have been identified and explained</li> </ul>	<p>Compare budget against actual spend</p> <p>Review evidence of variance analysis</p>	See comparison of budget v actual payments above. A budget for 2019/20 identifies some items that were not paid, including churchyard mowing (£320) and mower service (£150). No evidence of comparison of budget against actual expenditure was undertaken during 2019/20. However, comparison of 2019/20 v actuals was undertaken for end of year accounts.	See B above, and
	<ul style="list-style-type: none"> <li>The Council may have insufficient reserves to cover planned or emergency needs</li> </ul>	<ul style="list-style-type: none"> <li>Reserved balance should cover at least 10% of expected costs</li> </ul>	<ul style="list-style-type: none"> <li>Compare bank balance to expected budget</li> </ul>	Bank balance as at 1 April 2019 is £7496.00 (compared to £6308.42 as at 1 April 2019, £5069.85 as at 1 April 2018, £3151.78 as at 1 April 2017, £2741.54 at 1 April 2016) Expected expenditure based on 2019/20 budget (£2900) is less than balance brought forward, therefore reserve is more than enough.	OK
<b>Scope heading E</b>					
Expected income was fully received, based on correct process, properly recorded and promptly banked; VAT was appropriately accounted for	<ul style="list-style-type: none"> <li>Income may not be properly received, banked and accounted for</li> </ul>	<ul style="list-style-type: none"> <li>£2,900 income from precepts is expected from KCC precept</li> </ul>	<ul style="list-style-type: none"> <li>Confirm budgeted income expectations have been received and accounted for</li> </ul>	Confirmed that £2925 was received and accounted for	OK
		<ul style="list-style-type: none"> <li>Income is received, recorded and reconciled against the bank account</li> </ul>	<ul style="list-style-type: none"> <li>See above</li> </ul>		
<b>Scope heading F</b>					
Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>	No cash transactions	n/a

Scope	Risk	Expected/actual Control	Tests	Summary Findings	Conclusions / Recommendation/ priority
<b>Scope heading G</b>					
Salaries to employees and allowances to members were paid in accordance with this smaller authority's approvals, and PAYE and NI requirements were properly applied	<ul style="list-style-type: none"> <li>Salary may not be paid accurately and on time</li> <li>Legitimate expenses may not be reimbursed accurately and promptly, for expenditure incurred only on behalf of the Council.</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li>Check that salary payments agree to contract</li> <li>Check that expenses appear reasonable and are supported by receipts</li> <li>Check that tax and PAYE has been applied</li> </ul>	<p>Salary payment of £759.41 plus expenses of £106.60 agreed to be paid as at 31.3.20 In addition, pension of £139.73 payable to NEST by direct debit on 31.3.20 (~20%) Supported by: Analysis of hours spent: 57.75 hours @ £13.15/hour. Reduced by pension contribution £60.75 (i.e. 8%) Employer's pension contribution = £75.94 (ie 10%) – Agreed to email on file Total pension payable: £136.69</p> <p>Contract of employment August 2016 states that the rate should be £12.564 per hour being the current salary point 27 within the range in scale LC1 as set out in the 2016 National Agreement on Salaries and Conditions of Service of Local Council Clerks in England and Wales. NALC letter dated December 2018 with salary award shows £13.15 for salary point 27 payable for 2019/20</p> <p>Expenses seem reasonable but are not supported by receipts, e.g. for postage, internet connection</p>	<p>5. Expenses should be supported by receipts where possible.</p> <p><b>Priority: Low</b></p>
<b>Scope heading H</b>					
Asset and investments registers were complete and accurate and properly maintained	<ul style="list-style-type: none"> <li>If assets are not be documented, they may not be covered by insurance</li> </ul>	<ul style="list-style-type: none"> <li>List of items with significant value or with expected life greater than one year.</li> </ul>	<ul style="list-style-type: none"> <li>Observe asset list</li> </ul>	<p>Asset register includes £383 for laptop and £1150 for notice board.</p> <p>Asset register could be improved, as it does not include make / model / serial number of laptop</p>	OK
<b>Scope heading I</b>					
Periodic and year-end bank account reconciliations were properly carried out	<ul style="list-style-type: none"> <li>Transactions undertaken may not have been accounted for.</li> <li>Fraudulent transactions may not be identified</li> </ul>	<ul style="list-style-type: none"> <li>Regular reconciliation of the bank statement against the local record of income and expenditure, ideally by a person who is not involved in the day to day operation of the financial transactions</li> </ul>	Re-perform the bank reconciliation	<p>Year-end bank reconciliation agreed</p> <p>No evidence of regular bank reconciliation during the year</p>	<p>1. The accounting record should be reconciled regularly to the bank statement. This reconciliation should be prepared by the finance officer/clerk and reviewed by a second person, who should check accuracy and sign as evidence of the check.</p> <p><b>Priority: High</b></p>
		<ul style="list-style-type: none"> <li>Review of the bank reconciliation by a second person</li> </ul>	Confirm evidence of a second person reviewing the bank reconciliation.	<p>There is no evidence of a second person having reviewed the year end bank reconciliation in comparison with the accounting record and statement.</p>	See above
<b>Scope heading J</b>					
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	Transactions may be undertaken which are not included in the accounting statements for the correct time period	<ul style="list-style-type: none"> <li>See scope headings A and B</li> </ul>	See A and B	Accounting statements were prepared on receipts and payments basis and agreed to the cash book. Confirmed that the bank reconciles to local accounting record	See Scope Heading I

Scope	Risk	Expected/actual Control	Tests	Summary Findings	Conclusions / Recommendation/ priority
<b>Scope heading K</b>					
If the authority certified itself as exempt from a limited assurance review in 2018/19, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2018/19 AGAR tick "not covered")</i>	•	•		Certificate of exemption for 2018/19 completed on 10 May 2019, signed by Wendy Licence and Cat Horn (chair).	OK
<b>Scope heading L</b>					
The authority has demonstrated that during summer 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.	•	•		Public rights announced on 14 June 2019 for access between 17 June and 26 July 2019	OK
<b>Scope heading M</b>					
(For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee	•	•		The Parish Council is not responsible for the Stalisfield Village Hall Trust, although some members of the Parish Council committee are also members of the SVHT committee.	n/a