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To: Diptford Parish Council

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Internal Audit Report 2018/2019 for Diptford Parish Council

All Councils are required to implement an annual independent Internal Audit examination of its accounts, accounting processes and internal controls. The aim of the Internal Audit is to conclude as to whether a Councils systems of financial and other internal controls are adequate and effective. Testing has been carried out using a sampling system as deemed appropriate for the size of the Council.

This report details the results of the May 2019 Internal Audit which has been carried out in accordance with the requirements as detailed within the Governance and Accountability Practitioners Guide. The report also provides recommendations for the improvement of internal processes and a general summary for Council consideration.

Standard Documentation

- The Council has tested internal control systems regularly.
- Financial Regulations - re-adopted at the May 2019 meeting and appears to be in order.
- Standing Orders - re-adopted at the May 2019 meeting but the statutory requirements are not highlighted in bold type, as is required, to remind all concerned that they cannot be amended. I recommend that this is addressed as soon as possible and that the NALC 2018 updated model is considered for adoption (found on the NALC or DALC website).
- A Code of Conduct is in place, was re-adopted at the May 2019 meeting, and is in order.
- The Transparency Code applies due to the Councils annual turnover being below £25,000. and a Website is in place as is required. Certain documents, as required by the Transparency Code, are missing from the Website and I recommend that the requirements are reviewed as soon as possible. I also note that some past Minutes are still showing as in draft format and I recommend that the draft documents, as soon as signed off, are updated.
- There is an Amenity Trust in place and the documentation for this appears to be in order.
- I note that a new Clerk took over the position on 1st April 2019. This hand-over date is, in my opinion, the worst possible date in the annual calendar for a new Clerk to start. My reasoning behind this is that the first thing for the new Clerk to get to grips with is the Annual Audit which is a complicated process. The matter has not been helped by the Accounts for the previous year not balancing. I recommend that the Council supports the Clerk with the Audit process, together with any training and development deemed appropriate, over the next year.

Public Funds

- Payment controls are in place and the Council oversees all payments regularly.
- Purchase and payment documentation cross checked to the Accounts was found to be in order.
- VAT requirements have been adhered to. The latest re-claim was made in March this year and the resulting credit has been evidenced.
- Petty Cash – not held. Borrowing - none.
- The Accounts have been kept up to date but, at year end, do not balance. The new Clerk has taken time to review the situation and will need to 'restate' the previous year's figures on the Audit

documentation accordingly. I recommend that monthly bank reconciliations are completed by the Clerk by way of the External Auditors template. The bank balance should match the balance in the Accounts. I recommend that a member of the Council checks that this is the case, and then signs the template to confirm this, to ensure that any anomalies are highlighted as soon as possible and so that accurate records are kept throughout the year.

- A separate column within the Accounts is evident for Section 137 spending as is required.
- The Receipts and Payments method has been used within the Accounts, as is required.

Risk Management and Budget Control

- A new Risk Management Schedule is in place, dated May 2019, but requires further attention. I have provided an example document to the Clerk for consideration and I recommend that this matter is reviewed as soon as possible.
- The annual general Insurance policy has been renewed and I recommend that it is reviewed by the new Clerk to ensure accuracy.
- The latest annual budget document is in order and has been used to set the annual Precept, by Full Council, and the outcome has been recorded in the meeting Minutes of December 2018. It is pleasing to see that, as a result of my comments last year, the Precept has been raised this year.
- Reserves appear to be in better order, for the size of the Council, than last year and a list of 'earmarked' funding has been evidenced.
- IT and Website backup is overseen by the Clerk and I recommend that the Council checks the processes from time to time and that backups are kept off site for security reasons.
- Meeting Agendas - Councillors are correctly 'summonsed' to full meetings and the statutory three clear days notice has been evidenced.
- Meeting Minutes show that decisions have been recorded appropriately but I note, however, that 'any other business' is still being used against the recommendation of NALC. It is within this item, in the January 2019 Minutes, that a decision has been made to pay funds to the Village Hall. As no decision can be made unless the item first appears on the relevant meeting Agenda I recommend that all Council members are reminded of this required procedure to prevent further issues. I further recommend that 'any other business' is no longer used, to prevent the temptation of making decisions that are not first listed on the Agenda.
- Annual membership of the Information Commissioners Office (ICO) has been confirmed.
- The 2018 General Data Protection Regulations update has resulted in a Privacy Policy being in place.
- There does not appear to be a Publication Scheme in place, as is required, and I recommend that this is addressed as soon as possible.
- There does not appear to be a Complaints Policy in place and I recommend that this is considered.

Employment

- The Clerk is the only employee and there is a Contract of Employment in place.
- PAYE is dealt with by the Clerk but no pay-slips or P60 have yet been produced. I recommend that, due to the issues experienced by the Clerk and as the Council is the Employer, the Council supports the Clerk in correcting the documentation issues and with training as soon as possible.
- Staff appraisals and pay reviews should take place annually and will fall due by April next year.

Asset Control

- The Councils Asset and Investment Register has been reviewed and is in need of further attention. I have provided information to the Clerk in this regard.

Banking and Bank Reconciliations

- Bank reconciliations – see the Accounts section above.
- Not all cheque book stubs reviewed had been initialled by two Councillors, as is required, and I recommend that this process is reviewed going forward.
- Authorised signature numbers are down to two, following the May elections, and so I recommend that this matter is addressed as soon as possible.
- Internet banking is not used. The existing bank processes appears to be in order.

Year End

- A Certificate of Exemption was completed during the 2017/2018 Audit and, due to the annual turnover, I can confirm that this process was acceptable.
- The year-end documents, to 31st March 2019, are currently being prepared by the new Clerk who has confirmed understanding of the requirements. A Certificate of Exemption can again be used, should this be resolved by the Council, in order that a full External Audit does not take place. I recommend that the Clerk is supported with the Audit documentation by the Council in order that the knowledge gained can be shared.

Summary

I can report that, within the areas checked, it is my opinion that Diptford Parish Council has some good systems of internal control in place so as to support the lowering of risk to the Council. There are, however, some areas that require immediate attention and these have been highlighted within this report. I recommend that the Council takes time to consider the highlighted areas, with the Clerk, which have been provided to support further future risk and internal control management.