

Internal Audit

Ettington Parish Council

Year Ended 31 March 2019

Internal Auditor: Trevor B Gill

This audit report is based upon the Association of Local Councils recommended checklist, introduced in 2016, with the Practitioners' Guide to Governance and Accountability in Local Authorities

CONFIDENTIAL

Internal Audit Summary Checklist Report for Ettington Parish Council

Year Ended 31 March 2019

Basis of the Report

This internal audit report is based upon the National Association of Local Councils (NALC) recommended check-list produced in 2016, in conjunction with the Practitioners' Guide to Governance and Accountability.

The scope of this internal audit is focused on assessing the effectiveness of the Council's internal controls. Where any such controls are found to be deficient, the internal audit will help lead to improvements in these processes.

By applying the principles of internal auditing, outlined in the current Accounts and Audit Regulations and applying the approach to internal audit and testing outlined in paragraph 1 above, every effort is made to ensure that all internal audits are conducted with due professional care, integrity and independence. All conclusions derived from the audit are based upon objective and traceable evidence.

NB: It would be incorrect to view the internal audit as the detailed inspection of all records and transactions of the Council in order to detect fraud. It is the periodic independent review of a Council's internal controls resulting in an assurance report designed to improve effectiveness and efficiency of the activities and operating procedures under the Council's control. Managing the Council's internal controls should be the day-to-day function of the staff and councillors and not left for internal audit. (Source: Governance and Accountability for Local Councils - A Practitioners Guide - 2018)

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Internal Audit for Ettington Parish Council

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Introduction

The audit was undertaken during April and May 2019. For detailed information regarding each section of the audit please refer to Appendix 1.

Section 1 – Book Keeping

Ettington Parish Council uses the Rialtis Accounting package and this provides the necessary accounting functionality and VAT reclaim procedures.

A review of the package and the procedures adopted reveals no issues. The package is very well understood by the RFO and meets the accounting, bank reconciliation and control needs of Ettington Parish Council.

A review of the documentation and reporting provided for council meeting is considered to be comprehensive and provides the level of detail necessary to keep councillors fully informed as to the finances of the Parish Council

The Parish Council should consider whether the bank balances on the Financial Statements are verified, by the Councillor responsible for Finance, against the Bank Statements. If this simple procedure is adopted then any irregularities will be identified at an early stage.

Section 2 - Due Process

Standing Orders

A review of the standing orders should be undertaken on an annual basis and the majority of the standing orders and policies this was the case. However, it was noted that the Councillor Expenses Policy has not been reviewed since 2015.

It is suggested that the council considers whether they feel it appropriate to originate an Equal Opportunities Policy as this is becoming more and more relevant and is generally required when applying for external grants.

It is suggested that an approval schedule is added at the beginning of all standing orders and policies.

Meetings

It was noted that the Annual Meeting held on 16 May 2018 was an amalgamation of annual and monthly functions. It is suggested that in future these functions are separated into 2 separate meetings.

Agendas

A review noted that all agendas were properly signed and dated

Section 3 - Risk Management

A review of the risk assessment shows that the risks are well understood and the controls identified are as would be expected.

Last year's Internal Audit Report stated, "It is noted in the risk assessment the Parish Council has not asked itself how it continues to function properly should the Clerk / RFO suddenly be unable to carry out her functions." This could be because of many reasons including illness or holiday and I would suggest that this question is revisited.

Section 4 – Budget and Precept

It was noted that the process for setting the budget is robust and that regular monitoring of the finances against the agreed budget takes place.

Section 5 – Payroll Clerk

A review of the process and procedures adopted shows that the process is well understood by the RFO and all returns are submitted on time and in an accurate manner. It is noted that the salary and pension payments are properly noted in the minutes

However, it might be prudent for a councillor to familiarise themselves with the processes and submissions as the clerk / RFO is the processor and also the beneficiary.

Section 6 – Payroll Other

A review of the items under this section revealed no issues.

Section 7 – Asset Control

It was noted that the assets register is properly maintained and the insurance cover is reviewed on an annual basis to coincide with the renewal of the policy.

Section 8 – Bank Reconciliation

The finances spreadsheet contains a reconciliation process which enables the bank account to be reconciled on a regular basis. Bank balances are reported in the Financial Statements submitted to the monthly meetings of the Parish Council. It is recommended that at least quarterly the councillor responsible for Finance confirms that the bank balances reported on the Financial Statement reconciles with the bank account.

Section 9 - Year End Procedures

The year end procedures and reporting were reviewed and no issues were found. It is worthy of note that the software package used provides reporting to support the year end requirements thus reducing the risk of errors being made.

The bank reconciliations and AGAR reporting were reviewed and no issues were found.

Section 10 – Miscellaneous

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It is recommended that the Parish Council adopts a Freedom of Information Policy to cover the arrangements and costs in the case that a request is made for information from the Council's records.

Section 11 – Charities

Not applicable

Section 12 – Burial Authorities

Not applicable

Section 13 – Income Control

All income is properly controlled and recorded in the accounts within very acceptable timescales.

Section 14 – Petty Cash

This is not applicable and the necessary letter has been provided for the AGAR reporting requirements

Section 15 - Parish Website

It is suggested that the appendices are included within the minutes rather than being shown on the agenda's web page.

It would be good practice to upload all documents to the website in pdf format. This will considerably reduce the risk of word documents being downloaded and amended. In addition, software is available that will prevent pdf files being amended but will still allow these documents to be read and printed.

Conclusion

Thank you for inviting me to undertake the Internal Audit for Ettington Parish Council.

Whilst reviewing the processes, documentation and finances it is very apparent that the affairs of the Parish Council are in very safe hands. Sarah has a very high standard of documentation and fully understands the governance and financial requirements associated with Parish Councils. She is to be commended for the way in which she supports the needs of the Parish Council.

As in previous years the section relating to petty cash in the AGAR Return Part 3 item F has been duly marked as not covered. This does not imply anything untoward regarding the Parish Council accounts, rather this is a response required by the external auditor and in the case of Ettington Parish Council it means that there is no petty cash. A letter to that effect has been added by the internal auditor.

This concludes the audit.



Trevor B Gill
31 May 2019

Appendix 1 - Transactions Reviewed

Appendix 2 - Detailed Audit Workplan

INTERNAL AUDIT CHECKLIST

Name of Council	Ettington Parish Council	Name of Clerk	Sarah Furniss
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No of Councillors	9	Name of RFO (if different)	As above
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Quorum	3	Precept Amount	£32,500
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1	Book Keeping				
	Activity	Hyperlink	Reviewed		Comments / recommendations
1.1	Ledger maintained and up to date?		Yes		EPC uses Rialtis Accounting package and this provides the necessary accounting functionality and VAT reclaim procedures
1.2	Arithmetically correct		Yes		
1.3	Evidence of Internal Control		Yes		
1.4	VAT evidence, recording and recalimed		Yes		
1.5	Payments ledger supported by invoices, authorised and minuted		Yes		
1.6	S137 seperately recorded and within limits			N/A	There was no expenditure under Section 137 in the financial year
1.7	S137 expenditure of direct benefit to electorate			N/A	There was no expenditure under Section 137 in the financial year

2	Due Process						
2.1	Standing Orders & Policies With Last Review Date						
	Ref	Document Title	Last Review Date	Hyperlink	Reviewed		Comments / recommendations
		2 EPC Code of Conduct	14/03/2018	EPC Code of Conduct	Yes		It is suggested that an approval schedule is added at the beginning of this document
		3 EPC Councillor Expenses	14/01/2015	EPC Councillor Expenses	Yes		It is suggested that an approval schedule is added at the beginning of this document
		7 EPC GDPR Policy and Process	01/05/2018	EPC Standing Orders/EPC GDPR Policy and Procedure	Yes		It is suggested that an approval schedule is added at the beginning of this document
		8 EPC Gifts and Hospitality Register	14/03/2018	EPC Gifts and Hospitality Policy	Yes		It is suggested that an approval schedule is added at the beginning of this document
		9 EPC Guidance on Code of Conduct	14/03/2018	EPC Guidance on Code of Conduct	Yes		
		11 EPC Members Use Of Council Resources and Facilities	14/03/2018	EPC Members Use of Resources	Yes		It is suggested that an approval schedule is added at the beginning of this document
		13 EPC Privacy Notice - Employees & Councillors	Undated	EPC Privacy Notice 1	Yes		It is suggested that an approval schedule is added at the beginning of this document
		14 EPC Privacy Notice - General	Undated	EPC Privacy Notice 2	Yes		It is suggested that an approval schedule is added at the beginning of this document
		16 EPC Social Media Policy	13/03/2019	EPC Social Media Policy	Yes		It is suggested that an approval schedule is added at the beginning of this document
		18 EPC Standing Orders	01/05/2018	EPC Standing Orders	Yes		Approval Schedule Required - On the website the S/O is approved in May 2018 whereas there is an updated version approved on 10/10/2018
2.2	Financial regulations adopted						
	Ref	Document Title	Last Review Date	Hyperlink	Reviewed		Comments / recommendations
		5 EPC Financial Regulations	09/03/2016	EPC Financial Regulations	Yes		It is suggested that an approval schedule is added at the beginning of this document
2.3	Financial Regulations properly tailored to council						
		Activity		Hyperlink	Reviewed		Comments / recommendations
2.4		Equal Opportunities Policy				No	Council should consider whether an Equal Opportunities Policy is required
2.5		RFO Appointed			Yes		
2.6		List of member interests held			Yes		Covered by annual submission to Stratford on Avon District Council
2.7	Agendas signed, informative and displayed with a clear 3 days notice						
	Ref	Document Title	Last Review Date	Hyperlink	Reviewed		Comments / recommendations
		1 Monthly Meeting	11/04/2018	20180411 Ettington PC Agenda	Yes		
		2 Annual Monthly Meeting	16/05/2018	20180516 Ettington PC Agenda	Yes		It is suggested that in future the Annual Meeting and the monthly meeting are held as separate events.
		3 Monthly Meeting	13/06/2018	20180613 Ettington PC Agenda	Yes		
		4 Monthly Meeting	11/07/2018	20180711 Ettington PC Agenda	Yes		
		5 Monthly Meeting	08/08/2018	20180808 Ettington PC Agenda	Yes		
		6 Monthly Meeting	12/09/2018	20180912 Ettington PC Agenda	Yes		
		7 Monthly Meeting	10/10/2018	20181010 Ettington PC Agenda	Yes		
		8 Monthly Meeting	14/11/2018	20181114 Ettington PC Agenda	Yes		
		9 Monthly Meeting	12/12/2018	20181212 Ettington PC Agenda	Yes		
		10 Monthly Meeting	09/01/2019	20190109 Ettington PC Agenda	Yes		
		11 Monthly Meeting	13/02/2019	20190213 Ettington PC Agenda	Yes		
		12 Monthly Meeting	13/03/2019	20190313 Ettington PC Agenda	Yes		
		Activity		Hyperlink	Reviewed		Comments / recommendations
2.8		Purchase orders raised for expenditure				No	It is suggested that for large contracts formal acceptance is send to the supplier and a copy is attached to the invoice for ease of reference.
2.9		Purchasing authority defined in Financial Standing Orders			Yes		
2.10		Legal powers identified in minutes and/or cash book			Yes		
2.11		Committee terms of reference exist and have been reviewed				N/A	

3 Risk Management						
EPC Emergency Plan						
Ref	Document Title	Last Review Date	Hyperlink	Reviewed		Comments / recommendations
3.1	Emergency Plan				No	Please see item 2.7.3 above
Previous Internal Control Reports						
10	EPC Internal Audit Report 2017-2018	21/04/2018	20180420 EPC Internal Audit Report 2017-18	Yes		
Activity						
Were recommendations from the previous Internal Audit Report implemented			20180420 EPC Internal Audit Report 2017-18	Yes		Previous recommendations formally discussed by the Parish Council and implemented where they considered it appropriate.
3.2 Annual risk assessment review						
15	EPC Risk Assessment	31/03/2018	EPC Risk Assessment March 18.pdf	Yes		It is recommended that the Parish Council considered the risks associated with the unavailability of the clerk and RFO. This assessment should cover short term arrangements to cover for holidays and sickness for finances and general correspondence as a minimum and then should consider the impact of long term unavailability.
3.3 Insurance cover sufficient and appropriate						
20	EPC Insurance Policy	00/01/1900		Yes		
Activity						
3.4	Evidence of insurance review			Yes		
3.5	Evidence of Public and employee liability insurance			Yes		
3.6	Internal financial controls documented and evidenced			Yes		
3.7 Minutes signed, pages numbered & reviewed for unusual activity						
Ref	Document Title	Last Review Date	Hyperlink	Reviewed		Comments / recommendations
1	Monthly Meeting	11/04/2018	20180411 Ettington PC Minutes	Yes		
2	Annual Monthly Meeting	16/05/2018	20180516 Ettington PC Annual Meeting Minutes	Yes		
3	Monthly Meeting	13/06/2018	20180613 Ettington PC Minutes	Yes		
4	Monthly Meeting	11/07/2018	20180711 Ettington PC Minutes	Yes		
5	Monthly Meeting	08/08/2018	20180808 Ettington PC Minutes	Yes		
6	Monthly Meeting	12/09/2018	20180912 Ettington PC Minutes	Yes		
7	Monthly Meeting	10/10/2018	20181010 Ettington PC Minutes	Yes		
8	Monthly Meeting	14/11/2018	20181114 Ettington PC Minutes	Yes		
9	Monthly Meeting	12/12/2018	20181212 Ettington PC Minutes	Yes		
10	Monthly Meeting	09/01/2019	20190109 Ettington PC Minutes	Yes		
11	Monthly Meeting	13/02/2019	20190213 Ettington PC Minutes	Yes		
12	Monthly Meeting	13/03/2019	20190313 Ettington PC Minutes	Yes		
Activity						
3.8	Regular reporting and minuting of bank balances			Yes		It is recommended that the Councillor responsible for Finance undertakes a periodic review of the statements presented and validates the bank balances against the bank statements.
3.9	S137 expenditure minuted				N/A	There was no S137 expenditure during the financial year

4 Budget and Precept						
Activity	Hyperlink	Reviewed		Comments / recommendations		
4.1	Annual budget to support the precept		Yes			Meeting 9 January 2019 agreed the budget and precept
4.2	Has budget been discussed and adopted by the Council		Yes			Meeting 9 January 2019 agreed the budget and precept
4.3	Any reserves earmarked		Yes			Meeting 9 January 2019 agreed the budget and precept
4.4	Any unexplained variances against budget		Yes			Meeting 9 January 2019 agreed the budget and precept
4.5	Precept demand correctly minuted		Yes			Meeting 9 January 2019 agreed the budget and precept

5 Payroll Clerk						
Activity	Hyperlink	Reviewed		Comments / recommendations		
5.1	Contract of employment		Yes			
5.2	Tax code issued		Yes			
5.3	PAYE & NI Evidence		Yes			
5.4	Software package for salary or external		Yes			HMRC recommended software used
5.5	Who calculates the monthly pay and process for review		Yes			The RFO. It suggested that the Parish Council conducts a periodic review of the process for calculating salaries and is able to undertake the process in the event that the RFO is not available for whatever reason.
5.6	Has the council approved the salary to be paid		Yes			
5.7	Other payments reasonable and approved by the Council			N/A		

6 Payroll Other						
Activity		Hyperlink	Reviewed		Comments / recommendations	
6.1	Contract of employment		Yes			
6.2	Tax code issued		Yes			
6.3	Minimum wage paid		Yes			
6.4 Payroll / Staff Standing Orders & Procedures						
Ref	Document Title	Last Review Date	Hyperlink	Reviewed		Comments / recommendations
1	EPC Appraisal Policy	12/08/2015	EPC Appraisal Policy	Yes		It is suggested that an approval schedule is added at the beginning of this document
12	EPC Policy and Procedure on Discipline	12/08/2015	EPC Staff Disciplinary Procedure	Yes		It is suggested that an approval schedule is added at the beginning of this document
17	EPC Staff Handbook	27/07/2016	EPC Staff Handbook	Yes		It is suggested that an approval schedule is added at the beginning of this document

7 Asset Control						
Activity		Hyperlink	Reviewed		Comments / recommendations	
7.1	Does the council keep a register of all material assets owned		Yes			
7.2 Does the council keep a register of all material assets owned and is the register up to date & do the insured values reflect the value of the asset						
Ref	Document Title	Last Review Date	Hyperlink	Reviewed		Comments / recommendations
6	EPC Fixed Assets Schedule			Yes		It is recommended that the insured values are added to the fixed assets schedule.
20	EPC Insurance Policy	00/01/1900		Yes		The insurance policy is comprehensive and covers all areas that are appropriate. It was accepted in the meeting held on
Activity		Hyperlink	Reviewed		Comments / recommendations	
7.3	Value of individual assets included			Yes		It is suggested that the insured values is added to the assets list
7.4	Inspected for risk and up to date inspection records exist			Yes		
7.5	Record of deeds and articles and land register references available.			Yes		

8 Bank reconciliation						
Activity		Hyperlink	Reviewed		Comments / recommendations	
8.1	Is there a bank reconciliation for each account			Yes		It is suggested that the councillor responsible for finance reviews the Financial Statements submitted to meetings and validates that the bank balances shown agree with those recorded on the bank statements
8.2	Evidence of quarterly reconciliation check as per Financial Regulations section 2.2			Yes		
8.3	Is the bank mandate up to date			Yes		
8.4	Bank statements and ledger reconcile			Yes		
8.5	Any unexplained balancing entries in any reconciliation			Yes		

9 Year End Procedures						
9.1 Year end accounts prepared on correct accounting process						
Ref	Document Title	Last Review Date	Hyperlink	Reviewed		Comments / recommendations
4	EPC End of Year Accounts	00/01/1900		Yes		
19	EPC Standing Orders & Direct Debits	00/01/1900		Yes		
Activity		Hyperlink	Reviewed		Comments / recommendations	
9.2	Bank statements and ledger reconciles			Yes		
9.3	Underlying financial trail from records to presented accounts			Yes		
9.4	Where appropriate, debtors and creditors properly recorded			Yes		
9.5	Has the council agreed, signed and minuted sections 1 & 2 of the annual return			Yes		

10 Miscellaneous						
Activity		Hyperlink	Reviewed		Comments / recommendations	
10.1	Have points raised in the last audit been addressed			Yes		
10.2	Has the council adopted a code of conduct			Yes		
10.3	Is the general Power of Competence			Yes		
10.4	Are all electronic files properly backed up			Yes		
10.5	Do arrangements for public inspection of council's records exist			Yes		

11 Charities						
Activity		Hyperlink	Reviewed		Comments / recommendations	
11.1	Charities reported and accounted for separately			N/A		
11.2	Have the charity accounts been separately audited			N/A		
11.3	Have the charity accounts and Annual Return been filed within the legal time limits			N/A		

12	Burial Authorities				
	Activity	Hyperlink	Reviewed		Comments / recommendations
12.1	Payments received agrees with burials in the financial year			N/A	
12.2	Fees levied as per the councils agreed scale of fees			N/A	
12.3	Are the Statutory Records correct			N/A	
12.4	Do all interment of ashes have a certificate of creation			N/A	
12.5	Have the necessary permits, permissions and transfer of Exclusive Burial Right (EBR) been completed correctly, documented and approved.			N/A	

13	Income Control				
	Activity	Hyperlink	Reviewed		Comments / recommendations
13.1	Is income properly recorded and promptly banked		Yes		
13.2	Does the precept recorded agree to the Council Tax authorities notification		Yes		
13.3	Are the security controls over cash adequate and effective		Yes		

14	Petty Cash				
	Activity	Hyperlink	Reviewed		Comments / recommendations
14.1	Is all petty cash spent recorded and supported by VAT receipts where applicable			N/A	
14.2	Is petty cash expenditure reported to the Council			N/A	
14.3	Is petty cash reimbursement carried out regularly			N/A	

15	Parish Council Website				
	Activity	Hyperlink	Reviewed		Comments / recommendations
15.1	Reviewed for content		Yes		It is suggested that the appendices are included within the minutes rather than being shown on the agendas web page.
15.2	Minutes and agendas posted		Yes		It would be good practice to upload all documents to the website in pdf format. This will considerably reduce the risk of word documents being downloaded, and amended. In addition software is available that will prevent pdf files being amended but will still allow these documents to be read and printed.

Appendix 3 - Documents Reviewed

Ref	Document Title
1	EPC Appraisal Policy
2	EPC Code of Conduct
3	EPC Councillor Expenses
4	EPC End of Year Accounts
5	EPC Financial Regulations
6	EPC Fixed Assets Schedule
7	EPC GDPR Policy and Process
8	EPC Gifts and Hospitality Register
9	EPC Guidance on Code of Conduct
10	EPC Internal Audit Report 2017-2018
11	EPC Members Use Of Council Resources and Facilities
12	EPC Policy and Procedure on Discipline
13	EPC Privacy Notice - Employees & Councillors
14	EPC Privacy Notice - General
15	EPC Risk Assessment
16	EPC Social Media Policy
17	EPC Staff Handbook
18	EPC Standing Orders
19	EPC Standing Orders & Direct Debits
20	EPC Insurance Policy