

Internal Audit Report

(to be read in conjunction with the Annual Internal Audit Report in the Annual Governance and Accountability Return)

Name of council:	Oakthorpe, Donisthorpe & Acresford Parish Council		
Name of Internal Auditor:	Martin Cooke	Date of report:	30 th April 2020
Year ending:	31 March 2019	Date audit carried out:	22 nd & 29 th April 2020

Internal audit is the periodic independent review of a council's internal controls resulting in an assurance report designed to improve the effectiveness and efficiency of the activities and operating procedures under the council's control. Managing the council's internal controls should be a day-to-day function of the staff and management and not left for internal audit.

The council is required to take appropriate action on all matters raised in reports from internal and external audit and to respond to matters brought to its attention by internal and external audit. Failure to take appropriate action may lead to a qualified audit opinion.

To the Chairman of the Council:

This internal Audit report was compiled following independent tests / checks undertaken using various financial records, documents, minutes etc, through the official PC website and during a Zoom meeting in the 29th April 2020 with Lindsay Weaver (acting clerk) who is currently supporting the council with financial requirements whilst they seek to employ a new full time Clerk.

The following topics were reviewed against our standard checklist format:

Book Keeping:

- Details appeared to be in order, with correct arithmetic detail and evidence of control.
- Evidence was seen that VAT had been reclaimed.
- One item was recorded as S137 however, I recommend this item should be recorded under advertising or publications rather than S137.
- It was noted that the PC minutes only reflected that a payment sheet is presented for approval at each meeting. I suggest the council may wish to consider that this information be included in the minutes when released to the website to ensure transparency but, as per the "Local Government Transparency Code" expenditure over £500 must be displayed on the Council website each quarter and currently is not.
- One payment noted to an individual for maintenance work under salary header, this should be recorded as a maintenance cost.

Due Process:

- Standing Orders & Financial Regulations had been reviewed May 19 and displayed as is the Equal Opportunities Policy.
- There was evidence of internal control on payments, members interests, committee terms of reference and meeting agendas all being displayed on the website (agendas also on notice boards).

Risk Management:

- Evidence noted that the Annual Risk Assessment was reviewed December 19, Rospa inspections were carried out and actioned quarterly and monthly checks on assets were undertaken and action recorded.
- Insurance with BHIB (LC001100) review/renewal due June 20.
- There was evidence of financial control and minutes were initialled by page and signed by the chair at each meeting however, it was noted that while bank balances and payments are discussed and approved in committee, these are not displayed on the website. I recommend details are displayed at least quarterly to comply with transparency requirements.
- Concerns were noted with regard to bank payments which were generally via BACS or DD. The BACS payments were loaded and approved by the Clerk, I strongly recommend the Council review their payment policy and introduce a second tier of approval leaving the clerk to load the payment but another person (Chair / Vice Chair) to approve.

- Cash receipts are currently handled by the Leisure Centre for members of the public using the facilities. Receipts are issued for the payments received and the Leisure Centre pay finds into the bank which are noted within the PC ledger. This system is currently under review and I recommend a more robust process and audit trail be adopted.

Budget:

- Annual budget had been approved February 20, no specific reserves.

Payroll:

- The previous Clerk had a contract of employment, however in the absence of a new Clerk those supporting the PC are submitting expenses.
- The caretaker at the Leisure Centre is employed, has a contract, is on the payroll and covered by insurance.
- The PC is registered with the Pensions Regulator.

Asset Control:

- Reviewed & updated register of assets displayed on the website.
- Clerk confirmed all deeds etc for land listed on assts register are held by the LCC.

Bank Reconciliation:

- Reconciliation is monthly on receipt of statements, as above comments, balance details need to be displayed on website.
- There were no unexplained concerns noted.
- Note comments on cash under risk assessment.

Year End Procedures:

- Year-end accounts had been prepared, bank statements and ledgers reconciled, debtors & creditors recorded where necessary and there was evidence of a financial trail through records to presented accounts.
- Sections 1 & 2 of the Annual Return were signed off in May 2019 and this year's Annual Report has been drafted but will be approved at the May 20 Zoom meeting.

Cemeteries:

- External Auditor made reference to the Joint Burial Board suggesting that there was no inclusion of income, expenditure, assets or liability, however since the audit it was noted that the Council were now the lead authority of the JOINT BURIAL COMMITTEE – DONISTHORPE CEMETERY with a formal agreement from April 2020 to be signed by all parties May 20. (This would have already been done but had been delayed due to Covid19).
- The agreement was viewed and noted it includes clauses as follows:
 - The Host Authority shall hold all assets and funds relating to the Cemetery on trust for the benefit of itself, the Partner Authority (Ashby Woulds) and the Cemetery shall spend, allocate distribute and otherwise deal with such assets and funds as directed by the joint committee.
 - The Host Authority shall allocate its Contribution from its annual budget and shall not spend it on anything other than in relation to the Cemetery.
 - The Partner Authority shall pay its Contribution to the Host Authority within thirty (30) days of receipt of the Host Authority's invoice in each financial year in which this Agreement is in force.
 - The Host Authority shall report to the Partner Authority on all income and expenditure relating to the Cemetery in that financial year. Any part of the Partner Authority's Contribution that has not been spent in that financial year shall be retained as a reserve fund for the sole benefit of the Cemetery to be spend as directed by the joint committee.
 - In the event of the dissolution or non-resolvable inquoracy of the joint committee and/or the termination of this Agreement for any reason, any liabilities or funds held in bank accounts in relation to the Cemetery will be shared between the two Parties in the same proportion as the Contributions are calculated.
- It was also noted that a further bank account in the name of ODA PC was currently being opened to hold the funds within the councils finances but within a separate account.
- Cemetery Accounts were viewed and appeared to be in order.
- Sample Green slips were crossed referred as were the Grant of Rights which all seemed to be in order.
- The Register of Burials and Purchased graves was viewed via the virtual meeting but is noted to be a very dated, large handwritten book which is not practical to copy.
- Clerk confirmed the Burial Plan is up to date but is again a handwritten document, therefore not backed up, it was also noted that there were no names recorded just grave numbers which could be crossed referenced with other documents.
- Small business relief had been applied so no rates were being paid.

Transparency:

- The following items were displayed / published as required by 1st July;
 - End of year accounts / Accounting Statement, Annual Governance Statement, External Audit report & Asset Register.
- Internal Audit Report 2019 needs to be displayed.
- Expenditure over £500 as per the "Local Government Transparency Code" has to be displayed on the Council website each quarter and currently is not.
- Meeting agendas are published with three clear days & Draft Minutes are issued within one month.

Miscellaneous:

- There was evidence that the Internal & External audits were received, and action noted.
- Clerk confirmed Electronic files now backed up 2 / 3 times per week.
- The Notice of Public Rights" under Regulation 15(2)(b) of the Accounts and Audit Regulations 2015 displayed on website May 19.

Transaction Spot Checks:

- A sample test check was carried out to agree accuracy of payments which included checking, Ledger date, Item / Budget heading, BACS ref, when payment was minuted / approved, actual payment amount against minuted payment and invoice amount, VAT if relevant.

Annual returns:

The annual return section 2 details (Year Ending 31st March 2020) are set out at the end of this document, it is noted that the balance carried forward is much higher than last year due to the inclusion of the JOINT BURIAL COMMITTEE – DONISTHORPE CEMETERY being included as part of the PC finances.

Summary of recommendations made throughout this report which I believe will help enhance and strengthen the internal controls that exist:

- Suggest the Council consider the payment information be included in the minutes when released to the website to ensure transparency, Expenditure over £500 as per the "Local Government Transparency Code" has to be displayed on the Council website each quarter and currently is not.
- Suggest the Council may wish to display bank balances and payments least quarterly to comply with transparency requirements.
- I strongly recommend the Council review their payment policy and introduce a second tier of approval leaving the clerk to load the BACS payments but another person (Chair / Vice Chair) to approve.
- Cash receipts system is currently under review and I recommend a more robust process and audit trail be adopted.
- Display the Internal Audit Report 2019 needs to be displayed.
- Consider computerising Cemetery documents.

This report is based on the evidence made available to me.

It would be incorrect to view internal audit as the detailed inspection of all records and transactions of a council in order to detect error or fraud.

Consequently, the report is limited to those matters set out.

I would like to conclude by thanking your Acting Clerk Lindsay for her patience and openness during our Zoom meeting and with the supply of all relevant information requested.

Yours sincerely,



Martin Cooke
Internal Auditor to the Council
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The figures submitted in the Annual Governance and Accountability Return are:

	Year ending 31 March 2019	Year ending 31 March 2020
1. Balances brought forward	29,477	57,0609
2. Annual precept	49,992	53,994
3. Total other receipts	32,752	38,385
4. Staff costs	39,504	39,690
5. Loan interest/capital repayments	0	0
6. Total other payments	52,698	57,673
7. Balances carried forward	20,009	52,133
8. Total cash and investments	20,009	52,133
9. Total fixed assets and long term assets	748,828	748,741
10. Total borrowings	0	0

The proper practices referred to in Accounts and Audit Regulations are set out in *Governance and Accountability for Smaller Authorities in England (2017)*. It is a guide to the accounting practices to be followed by local councils, and sets out the appropriate standard of financial reporting to be followed. A copy of the guide is available for free download from:

<http://www.leicestershireandrutlandalc.gov.uk/uploads/governance-and-accountability-for-smaller-authorities-in-england-2018-sections-1-5-1.pdf>