

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:	18 th April 2019
Year ending:	31 March 2019	Date audit carried out:	13 th & 16 th April 2019

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 a number of independent tests / checks were undertaken using various financial records, documents, minutes etc both through the official website and during a meeting with your Parish Clerk & RFO Lindsay Swinfield on the 16th April 2019.

The following topics were reviewed against our standard checklist format:

Book Keeping:

- All details appeared to be in order, with correct arithmetic detail and evidence of control using the Scribe system.
- Payments in the ledger were covered by invoices or payment slip, minuted and authorised at each PC meetings.
- It was noted that the PC minutes only reflected that a payment schedule is presented for approval at each meeting and then usually approved.
I would recommend that this information be included in the minutes when released to the website to ensure transparency even if in edited form.
- Evidence was seen that VAT is claimed once per year, last claimed March 2019 ~ £2,327.46.
- There was evidence to confirm that S137 expenditure was recorded separately as agreed 18/3/19 £250 to Oakthorpe School.
- It was noted that all payments in to the Leisure Centre are banked by the Leisure Centre Caretaker or paid by BACS, there are no cash transactions and it is all recorded under Leisure in the accounts.

Due Process:

- Standing Orders & Financial Regulations which are reviewed annually had been adopted based on NALC on the 21st May 2018, these were yet to be added to the website.
I would recommend both current copies added to website ASAP.
- The PC has a documented and approved Equal Opportunities Policy in place, but this does not currently appear on the PC website.

I would recommend current copy added to website ASAP.

- There was evidence of internal control on payments with all being approved in Council, minuted and then paid.
- List of members interests were displayed on the PC website and were due to be reviewed following the forthcoming May elections.
- Meeting Agendas are informative and displayed on the PC website and PC notice boards at least 3 clear days prior to meeting.
- Purchase orders were not raised for expenditure, generally approval to proceed was confirmed by email or telephone.
- The Clerk was aware it was good practice to include reference to specific regulations where applicable in minutes i.e. spend against S137, S106 etc. which assists parishioners to understand the powers of the Council.
- Committee Terms of reference have been approved but not displayed on website. I would recommend the PC place these on the website.
- The PC website is regularly updated by a third party but appears a little inconsistent

Risk Management:

- Scanning the minutes there didn't appear to be any unusual activity.
- Risk Assessments were evidenced as being actioned quarterly for the parks, weekly for the leisure centre and reviewed at each meeting and annually.
- Insurance cover covered currently with BHIB (policy LCO01180) due for renewal agreed 1st June 2019 and this is reviewed annually.
- There was evidence of financial control.
- Minutes were initialled by page and signed by the chair at each meeting.
- Bank balances were reported and reconciled at each PC meeting and minuted accordingly.
- S137 details recorded in expenditure.

Budget:

- An annual budget had been discussed and adopted by the PC on 15th October 2018 which supported the precept which was to increase to £56,000.
- There was one specific item earmarked of £5,000 for the Leisure Centre.
- No notable variances.

Payroll:

- The PC Clerk had a contract of employment, held a tax code and there was evidence of Salary and HMRC payments in the accounts.
- The Clerks salary payment is approved at each PC meeting and annual salary approved in budget annually.
- The Clerk is permitted to claim expenses but chooses not to.
- Pensions reviewed as part of annual Risk Assessment.
- The PC is registered with the Pensions Regulator.
- Two other roles are salaried, Community Leisure Centre Caretaker & Assistant Caretaker (currently vacant). Both have contracts of employment and paid through the accounts process being paid the NLW.
- There is a formal Complaints Procedure in place which I would recommend this is added to the website.

Asset Control:

- The Assets register which shows specific items and costs was updated on the 15th October 2018.
- Noted that inspected against Risk annually.
- Clerk confirmed all deeds etc for land listed on assts register are held by LCC.

Bank Reconciliation:

- Viewed bank reconciliation documentation for two bank accounts on one sheet.
- Reconciliation is monthly on receipt of statements.
- There were no unexplained concerns noted.

Year End Procedures:

- Yearend 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 on the 21st May 2018.
- Sections 1 & 2 of the Annual Return for 2018/19 had been drafted but would be approved after the internal audit had concluded.

Cemeteries:

- Oakthorpe, Donisthorpe & Acresford PC with Ashby Wouldes TC at the time of the audit still jointly run the "Joint Burial Board" (JBB) which currently hold funds of £37,059 and is operated by the joint committees of both councils and has an appointed paid clerk.
ODA currently pay a precept to the JBB.
As referred to in the external auditors report this practice is not acceptable as the Council have been aware for a number of years.
An expenditure account can be viewed for evidence of spend against the precept and other funds within the JBB accounts.
Plans appear to be in place to restructure the current format and possibly give responsibility for the cemetery & burials to one of the two councils who will employ the current JBB clerk.
However, whatever the outcome the funds held currently within the JBB may ultimately need to be accounted for within the PC finances as it could be argued that a percentage of what is held belongs to ODAPC as it is paid by precept.
I would recommend that the PC move to conclude this matter as per the external auditor report but, also may also wish to consider carrying out a Risk review to ensure that whatever conclusions are reached the funds currently held in the JBB accounts remain transparent and used beneficially for both of the council bodies & electorate.

Transparency:

- The following were displayed / published as required by 1st July;
 - End of year accounts / Accounting Statement issued 21st May 2018.
 - Annual Governance Statement 21st May 2018.
 - Internal Audit report completed 21st May 2018 (nothing outstanding or reported of note in the statement).
 - Asset Register.
- Councillor Responsibilities displayed on website under Representatives List.
- Agendas and meeting papers are published with three clear days.
- Draft Minutes generally issued within one week.

Miscellaneous:

- Previous internal audit reviewed, no action required.
- External audit reviewed and shows concerns raised regarding the Joint Burial Board which still has to be resolved.
- Clerk confirmed Electronic files are backed up through provider.
- The PC publishes annually on it's website an opportunity through "The Notice of Public Rights" a window of opportunity under Regulation 15(2)(b) of the Accounts and Audit Regulations 2015 that from 1 June to 12 July 2018 any person may inspect, and make copies of the accounts and all books, deeds, contracts, bills, vouchers, receipts and other related documents of the council for the year end.

Transaction Spot Checks:

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

Annual returns:

The annual return for 2018/19 is set out at the end of this document and a document of variances was viewed by myself which explained the variances shown.

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

- Recommend that the PC minutes show detail of payments approved when minutes released to the website to ensure transparency even if edited version.
- Recommend Standing Orders, Financial Regulations, Equal Opportunities Policy, Committee Terms of Reference and Formal Complaints Procedure are added to the website ASAP.
- Recommend the resolution of the JBB as soon as possible and risk assessment on finances.
- Recommend that the Website is updated with some urgency with all noted information as soon as possible.

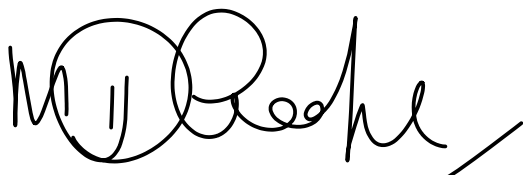
This report is based on the evidence made available to me.

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 Clerk Lindsay for her, hospitality, patience and openness during my visit.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'M Cooke', with a long horizontal stroke extending to the right.

Martin Cooke
Internal Auditor to the Council
07809 466500
Martincooke23@aol.com

The figures submitted in the Annual Governance and Accountability Return are:

	Year ending 31 March 2018	Year ending 31 March 2019
1. Balances brought forward	28,764	29,477
2. Annual precept	45,989	49,992
3. Total other receipts	40,896	32,742
4. Staff costs	31,315	39,504
5. Loan interest/capital repayments	0	0
6. Total other payments	54,857	52,698
7. Balances carried forward	29,477	20,008
8. Total cash and investments	29,477	20,008
9. Total fixed assets and long term assets	747,150	747,150
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>