

Internal Audit Report

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

Name of council:	Kilby Parish Council		
Name of Internal Auditor:	Hayley Cawthorne	Date of report:	01/06/2020
Year ending:	31 March 2020	Date audit carried out:	01/06/2020

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:

I carried out the year-end audit review of Kilby Parish Council on 1st June 2020. This year, owing to the Covid-19 pandemic, face to face visits are not allowed, hence this audit was carried out remotely using Zoom.

Prior to this date, Tina Cox, the parish clerk, had kindly forwarded me both the end of year accounts and the completed AGAR Part 2 Section 2 form.

I reviewed the information available on <https://www.kilbypc.org.uk/> before the remote meeting.

I was able to access a well ordered and detailed set of documents and records. It is clear that the clerk is meticulous with her paperwork and audit trails for the parish council's finances.

By examination of these documents and records plus further queries, with the clerk during our remote meeting, I tested aspects of the Council's internal controls as required for the Internal Audit section of the Annual Governance and Accountability Return (AGAR) Part 2, and notwithstanding the items noted below, I am satisfied that effective policies and procedures together with systems to manage, monitor and control the Council's business are in place. As a result, I was able to answer 'Yes' to all but one of the relevant questions on the AGAR and have signed as required. The question warranting a 'No' was discussed with the clerk and an explanation was given as to why this was – please see notes regarding risk assessments below.

It is important to acknowledge that this internal audit is an audit of the Parish Council's internal controls and processes, and not an audit of how well the clerk is doing her job. A 'No' on the AGAR becomes the responsibility of the Parish Council to rectify, with the help of the clerk as your employee.

Noted this visit:

1. There were a number of points raised on the internal auditor's report 18/19 (in purple below) which have yet to be addressed. These are as follows:

- a) The Transparency Code for Smaller Authorities sets out certain information that must be published on the Council's website.please ensure the following continue to be published:

10.	Smaller authorities should publish:
a.	all items of expenditure above £100 (see paragraphs 13 - 15);
b.	end of year accounts (see paragraphs 16 and 17),
c.	annual governance statement (see paragraphs 18 and 19),
d.	internal audit report (see paragraphs 20 – 22),
e.	list of councillor or member responsibilities (see paragraph 23), and
f.	the details of public land and building assets (see paragraphs 24 - 27),
g.	Minutes, agendas and meeting papers of formal meetings (see paragraphs 29 and 30).

It is vitally important that this information is published on the website, yet upon inspection there were a number of gaps. On request I was able to view the documents above, but all these need to be uploaded into the public domain as soon as possible

It is suggested your internal auditor makes sure this is all up to date next year.

- b) The clerk and I discussed the format of the minutes, and highlighted the need to ensure all vital information is included in the actual minute log, and not only as an appendix. For example, bank reconciliation amounts and comments made and put forward by the council on planning applications, should appear in the minutes to enable easy reference in the future.

Any appendices referred to in the minutes such as bank reconciliations or payment lists, need to be scanned/add to the published minutes for public view.

It is essential that all payments **to be** agreed is included in the agenda and all payments **agreed** at the Parish Council meeting is included in the minutes for audit purposes.

The clerk and I discussed the possibility of including payments in the actual minutes rather than as an appendix. All payment information such as the cheque number, invoice reference, amount, VAT and purpose is appropriate to include. Please see example below:

d) RESOLUTION to approve balance on bank statements as follows (as checked and signed by the Lead Councillor for finance)

Bank Account	Balance
Current Account	£40,773.05
Savings Account	£6,552.31

e) RESOLUTION to pay invoices as listed

Chq	Payee	Purpose	VAT	Cost	Total Amount	Power
102458	HMRC	PAYE February		£102.00	£102.00	LGA 1972 s.112
102459	HMRC	PAYE March		£102.20	£102.20	LGA 1972 s.112
102460	Printing services direct	April Issue of the newsletter, 24 pages x 240 copies and Design Charge. INV 0941	£0.00	£225.60	£225.60	Local Government Act 1972 s.142

- c) It is recommended that the clerk's contract and associated documents (job specification and essential criteria) are reviewed. The LRALC offer templates as well as their job review service to assist with this.

The minutes do not document any review of the clerk's contract and the clerk confirms this is has not taken place. A responsible employer should carry out a review at least annually to ensure the contract in place is still suitable for both the clerk's and council's benefit.

It is suggested your internal auditor looks into this again next year.

- d) The Parish Council minutes log should read like a book, hence page numbers should continue from one meeting to another. For example, pages 1 to 4 may be for the April meeting, pages 5 to 8 then for the May meeting etc. Page numbers continue also into the following years.

Page numbers are included on the minutes, but these do not continue from one meeting to the next as suggested above.

- e) I found it difficult to interpret the clerk's hourly pay, the hours worked and home allowance allocation, by looking at her payslip. I recommend that this information is made more clear for the purpose of transparency.

It continues to be difficult for me to interpret the payslip for the clerk in that I cannot confirm the hourly wage.

The clerk confirms there will be a review of the Payroll service for the Parish Council in 2020/21. It is suggested your internal auditor look out for this next year.

- f) A recommendation to review that as an employer, the parish council is providing their clerk with paid annual leave as per the clerk's contract of employment. For example, a clerk employed and paid to work 4 hours a week for 52 weeks of the year amounts to 208 hours of work. However, on a pro rata basis, actual working hours per week should be 3.57 (assuming annual leave allowance of 28 days per year including bank holidays). To achieve a four hour working week a clerk would need to be paid for 4.5 hours.

The minutes do not document any review of the clerk's hours and the clerk confirms this has not occurred. As a responsible employer it is vital that the clerk is allocated enough hours in her role to carry out all the essential duties, as well as receive, by law, her allocation of holiday leave.

If the clerk is still doing 208 hours a year or more (current contract is 4 hours per week for 52 weeks of the year) flexibly i.e, more hours some weeks than others depending on when meetings, end of years, tenders, actions need to be completed, this means the clerk is not receiving her holiday allowance as the law suggests she should.

Any adjustment to the clerks hours or hourly rate needs to be confirmed at a council meeting (this could be an exempt session) and minuted accordingly.

It is suggested your internal auditor look out for your review of the clerk's hours and holiday leave next year.

2. I viewed the signed hardcopy of the Council's Asset Register which had been updated at the Parish Council meeting held in May 2020. These figures were used on the 19/20 AGAR Section 2. This needs to be uploaded on to the website as soon as possible.

The Asset Register requires further updates to show the Audit value (the purchase price) and the insurance value (the replacement price). Please see suggested table headings below:

ITEM	BOUGHT/ GIFTED?	AQUIRED DATE	PURCHASE /PRICE	AUDIT VALUE (What purchased for)	INSURANCE VALUE (to replace)	LOCATION	OTHER DETAILS	YEAR DISPOSED OF	DATE DISPOSED (no longer an asset)
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3. The confirmed budget for the year ahead is required to be in the public domain. I viewed the budget confirmed in January 2020 for the year 2020/21 and suggest that this is uploaded onto the website as soon as possible.
4. I noted that the Standing Orders and Financial Regulations had not been reviewed since August 2018. These, along with other mandatory policy documents should be reviewed on an annual basis.

Please see the screenshot below exempling an appropriate update schedule.

PARISH COUNCIL POLICIES, PROCEDURES AND REGULATIONS UPDATED MAY 2020					
	Statutory	Councillor Lead	Recent review and approval	Review period	Date for Review
Code of Conduct	Mandatory/ required by Law		21 May 2020	Annual	
Asset Register	Mandatory/ required by Law		28 May 2020	Annual	
Finance Regulations	Mandatory/ required by Law		21 May 2020	3 years	
Register of Interests	Mandatory/ required by Law		21 May 2020	As required	
Publication Scheme	Mandatory/ required by Law		21 May 2020	Annual	
Record of Dispensations	-		28 May 2020	As required	
Insurance Policy	Mandatory/ required by Law		28 May 2020	Annual	
Risk Assessment Policy	Mandatory/ required by Law		21 May 2020	Annual	
GDPR - Data Protection Policy	Mandatory/ required by Law		21 May 2020	3 years	
GDPR - Policy Retention	Mandatory/ required by Law		21 May 2020	3 years	
GDPR - Data Breach Policy	Mandatory/ required by Law		21 May 2020	3 years	
GDPR - Subject Access Request Procedure	Mandatory/ required by Law		21 May 2020	3 years	
GDPR - General Privacy Notice	Mandatory/ required by Law		21 May 2020	3 years	
GDPR - Privacy Notice Staff and Councillors	Mandatory/ required by Law		21 May 2020	3 years	
GDPR - Council Consent Form	Mandatory/ required by Law		21 May 2020	3 years	
Standing Orders	Recommended for best practice		21 May 2020	3 years	
Social Media Policy	Recommended for best practice		n/a	3 years	
Training Policy	Recommended for best practice		28 May 2020	3 years	
Equality and Diversity policy	Recommended for best practice		28 May 2020	3 years	
Health and Safety Policy	Recommended for best practice		21 May 2020	3 years	
Record Management and Retention Policy		TBC			
Complaints procedure	Recommended for best practice	TBC	21 May 2020	3 years	
Safeguarding Policy	Recommended for best practice		28 May 2020	3 years	

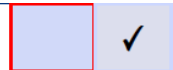
5. Within a Parish Council accounting system, there needs to be a spreadsheet identifying the earmarked reserves and the general reserves. Although the clerk was aware of these figures, it is requested that a spreadsheet is added to the accounting book (along with receipts, payments and bank reconciliation) to keep track of this throughout the year, and report on this at the year end.

Please see an example reserves break down below (I appreciate Kilby Parish Council do not have the same headings). The balance in hand figure should match with your cash book.

Balance in hand	£17,695.42
Earmarked reserves	£12,472.66
Playing Field upgrade project	£4,622.66
Bus shelter noticeboard	£0.00
Election expenses	£500.00
Street light upgrade	£0.00
Transparency fund	£0.00
defib and Bt box	£2,600.00
Tree works	£500.00
Well project	£2,000.00
unitary change	£500.00
Village Green works	£500.00
Bus service insurance	£750.00
website upgrade	£0.00
Christmas Tree decorations	£500.00
General reserves	£5,222.76

6. Upon signing of the cheques, please ensure that the cheque stub is also signed to confirm the information and amount between the stub and the cheque correspond.
7. There was no up to date risk assessment for the Parish Council available to view at the audit. This is the reasons why C. on the AGAR Internal Auditors report was marked with a 'No'. It is recommended that the Parish Council review their risk assessment as soon as possible.

C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.



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 wish your council all the best for the year ahead.

Yours sincerely,

Hayley Cawthorne
 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	8,186	4,269
2. Annual precept	5,850	6,100
3. Total other receipts	8,684	5,394
4. Staff costs	2,206	1,891
5. Loan interest/capital repayments	£0	£0
6. Total other payments	16,244	3,882
7. Balances carried forward	4,269	9,990
8. Total cash and investments	4,269	9,990
9. Total fixed assets and long term assets	52,322	50,736
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 (2019)*. 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-2019-sections-1-5-1.pdf>