

Local Council Internal Audit Checklist

Council	Normandy Parish Council	Electorate Numbers	2,163
Internal Audit Dates	24.3.21	External auditor	PKF
Name of RFO	Leslie Clarke	Name of clerk (if different)	Andy Beams - Interim Clerk
Date of appointment	Oct 2003	Budgeted Income £	£140K

Book Keeping	Yes/No/Not Applicable	Comments & Recommendations
Manual/ Computerised:	Computerised	Cashbook continues to be maintained using excel spread sheet. A previous suggestion that a cloud based cash book be maintained has not been implemented to date.
Maintained & Updated regularly?	No	The cash book provided for the purposes of reviewing the figures for the first half of the financial year is incomplete and does not reconcile. Explanation was given that the cash book needed to be reconstructed because of staff issues. The cash book is to be reconciled by the newly appointed interim clerk.
Records Kept Accurately? Audit trail from invoices to cash book sufficient?	No	The audit trail is insufficient. Normally, the cash book entries are sequentially numbered. The cash book starts at entry number 4. There are a number of items for which appropriate vouchers are not provided and there are duplicate items. The interim clerk is to review the cash book and vouchers.
Frequency of bank reconciliations? Reconciliation carried out on receipt of bank statement?	Monthly	The minutes suggest that monthly bank reconciliations have not been carried out. The cash book was unreconciled when presented for review.
Year end reconciliation correct? Any unexplained balancing entries/old cheques outstanding?	No	There were 3 cheques outstanding as a 31.3.20. Whilst these cheques have been replaced by voucher 135, the original items have not been reversed in the cashbook.
Evidence of internal control? Independent check of data entry and review of bank reconciliations?	No	There is evidence of some bank reconciliations being reviewed but the signing of the original bank statements has been overlooked. Also, the bank reconciliation filed with the minutes from the meeting held on the 24.6.20 is the same as the reconciliation filed with the minutes of the meeting held 27.5.20, which was up to the 31.3.20. There is no reference to the review of the bank reconciliation within the minutes of the meeting held 27.5.20, just the approval of the cashbook as at 31.3.20. There does not appear to have been an independent review of the cash book carried out during the current financial year. The allocation of the precept and LCTSS grant within the cash book continues to be an issue.

Standing Orders & Financial Regulations			Comments & Recommendations
Date Standing Orders (SO) & Financial Regulations (FR) adopted	Yes/No/Not Applicable	Yes	SO's last reviewed 27.2.20 - SO's dated 2009. These are now out of date and should be replaced with the latest legislation.
Have the FR been reviewed regularly and tailored to the Council & SO reviewed annually?	Yes	Yes	FR's last reviewed 29.7.20 and new financial regulations published Sept 2019
Have quotes/tendering limits been observed? Evidence of best value being sought?	No	No	Voucher 7 - £8,422 - work to complete roadway for ISO container did not go out to tender. A claim for grant aid of £4,050 was obtained from Guildford Bc.
Purchase orders raised for all expenditure?	No	No	No formal purchase order process. In the past e-mails sent confirming purchase request and copies of these attached to vouchers but there is little evidence of this now. A proper process should be put in place.
Payments in cash book supported by invoices and recorded in minutes and authorised?	No	No	The vouchers that are present have been approved but there are a significant amount of entries made by online banking where evidence is not retained as to who approved the payments. Vouchers 141 & 192 are duplicates and £998.22 has been paid twice for the [REDACTED]. Voucher number 26 relating to [REDACTED] has been overpaid. The [REDACTED] is £135.40 but a total of £300.40 was included in the summary and therefore £165 was overpaid and due to be repaid [REDACTED]. There is also a compensating error regarding [REDACTED] with voucher 47 for PPE equipment. [REDACTED] was re-imbursed £60 but had paid £72. The voucher is based on a statement rather than an invoice. A full review of all vouchers should be carried out.
VAT Identified recorded and reclaimed regularly?	No	No	Vat is reclaimed on a regular basis but I have been unable to verify that an independent check of the VAT returns has been completed recently as the VAT files were not available. As highlighted previously, the Council continues to claim VAT on payments that are not directly supplied to the Council. This often involves items purchased for use by the Council by an individual. To legitimately claim back VAT, the Council should possess a VAT invoice addressed to the Council. A review of the VAT claimed should be carried out and adjustments made to the next return.
Legal powers identified in minutes/and or cash book? Does the general power of competence apply?	No	No	General power of competence does not apply. As part of the annual governance review, the Council should scrutinise the actions it has taken during the year and the decisions it has made, to satisfy itself that it has acted properly within its powers and regulations.
Agenda for meetings circulated and made available to the public 3 clear days before the day of the meeting?	No	No	Agenda should be sent out on Thursday before the meeting on the following Wednesday. Copies of the agenda are posted on the website and public notice boards. I have received information that this is not always the case and the website is absent of multiple agendas.
Are S137 payments separately recorded and within limits and of direct benefit to the electorate?	Yes	Yes	Payments made under S137 recorded in the minutes in May 2020 and are of direct benefit to the electorate.
Does the Council have an equal opportunities policy?	Yes	Yes	The Council adopted a policy in June 2018. This should be reviewed to ensure that it is current.
List of member's interests held?	Yes	Yes	A copy of the one remaining members interests is included on the Parish website albeit it does not appear to have been updated since April 2019. Any interests on agenda items are recorded in the minutes of each meeting.

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Minutes kept in accordance with legal requirements? Consecutively numbered and initialled on each page?	No	Minutes have been kept within the correct format but I have received information that the minutes have not always reflected exactly what happened in the meetings, although the minutes of the previous meetings are confirmed in the subsequent meetings. The minutes of the remuneration committee dated 9.9.20 refer to approving the minutes of the meeting held 10.4.20. There doesn't appear to have been a meeting held on the 10.4.20. The minutes are not yet signed.
Does the Council need to produce/approve an annual investment strategy?	No	£60,000 is invested in - The Local Authorities Property Fund. This is below the limit needed for a strategy.
Have any new or amended bank mandates been approved and any limits established?	No	The banking arrangements are currently suspended as the current cheque signatories have now all resigned as members. Online payments require independent input and authorisation and this is not available. There is a credit card is held by the clerk. New banking arrangements to be established. In the meantime, payments are being made on behalf of the Council by Guildford Borough Council and which will be recovered from the 21/22 precept.
Does the transparency code for smaller authorities apply? Annual turnover < £25K	No	

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<u>Risk Management</u>	<u>Yes/No/Not Applicable</u>	<u>Comments & Recommendations</u>
Does a scan of the minutes reveal any unusual activity?	Yes	Please see comments regarding minutes being kept in accordance with legal requirements.
Annual risk assessment carried out?	Yes	Minutes refer to an updated Risk Assessment being reviewed 29.7.20 and approved for the year. As mentioned previously, the report should be signed and dated to verify that the report held on file was the report presented to the council. The risk assessment should also be updated to ensure that all risks have been assessed and that the action to be taken is relevant.
Health & Safety risk assessment carried out?	Yes	Weekly inspections were being carried out and a log maintained. This will need to be reviewed following the appointment of new members.
Children's Play area inspections carried out?	Yes	Fidelity Insurance cover was £250K - the current provider had not supplied a schedule of the insurance amounts covered at the time of my visit.
Level of fidelity insurance adequate?	Yes	Insurance renewed 1.10.10 - current insurer is Hiscox. Previous insurer was Axa. As there is no schedule of the amounts insured at the time of my visit, I am unable to verify if the insurance has been updated. I am also unable to verify if the insurance was reviewed.
Insurance reviewed and updated for new items?	Yes	A statement of internal control and a review of the effectiveness of internal controls was reviewed and signed by the chairman on page 1 in the meeting held on 27.7.20. Each page of the report should also be initialled to ensure that all of the document has been reviewed.
Has a statement of internal control & a review of the effectiveness of internal controls been carried out?	Yes	The external audit report was reviewed in the meeting held on the 27.1.21, per the minutes published on the website. There is also a copy of part of the external auditor's report on the website together with the minutes, which includes some responses to the issues raised. The rights of the public to inspect the annual return is also published on the website dated 9.12.20 but the external audit report was not discussed in council at the meeting held on the 16.12.20. The external audit report for 19/20 must be reviewed before completing the assertions for the 20/21 AGAR.
Issue's arising from external audit considered, addressed and action plan documented?	Yes	Minutes reflect that members noted and approved the internal audit report in respect of the audit carried out for the year ended 31 March 2020. As before, the minutes do not reflect what action is to be taken following the recommendations of the auditor.
Issue's raised by internal audit considered and addressed? Action taken?	Yes	Effectiveness review last carried out in Jan 2018. Reappointment of internal auditor considered and agreed in May 2020. A review of the effectiveness of internal audit should be carried out upon election of a new council.
Has a review of the effectiveness of internal audit been carried out within the last 3 years?	No	

Budgetary Controls	Yes/No/Not Applicable	Comments & Recommendations
Budget prepared to arrive at precept amount?	No	The minutes do refer to the precept for 2021/22 but the process of how the final figure of £147,000 was arrived at, is unclear.
Regular monitoring of actual expenditure against budget?	Yes	There is a tab on the cash book spread sheet that includes a detailed analysis of budget versus actual expenditure. The spread sheet converts receipts and payments into income and expenditure so that like for like comparison can be made. The minutes reflect that the cashbook is reviewed in Council meetings but significant variances are still not recorded or discussed in the minutes.
Do the minutes indicate that monitoring is occurring?	Yes	There is a record of quarterly monitoring of the budget within the minutes and a monthly note of unbudgeted expenditure. It is unclear how effective the monitoring is as errors in respect of the precept and LCTSS amount have still not been corrected.
Excessive reserves maintained? Earmarked reserves identified?	No	Cash Reserves £65K. £60K invested on long term deposit. The Council still needs to ensure that any earmarked reserves are identified.
Are significant variances explained?	No	There are no explanations of significant variances in the minutes.
Precept set by 31 Jan and correctly minuted?	Yes	2021/22 Precept agreed £147,000 - 28.1.21 notice to Guildford BC.

Income Control	Yes/No/Not Applicable	Comments & Recommendations
Precept received agrees to budget?	Yes	20/21 Precept £139,999 Received.
Rents collected regularly and agree with published rates?	Yes	Apart from the precept, grants and donations, the main sources of income are from the allotments, lease and maintenance fees. The fees are invoiced by the clerk and collected on a regular basis. I recommend that a control spreadsheet is maintained noting the date the invoices were raised, the amount of the invoice and the date the invoices were paid.
Income properly recorded and banked promptly?	Yes	
Rental rates reviewed and documented?	Yes	Rates for allotments, sports facilities and maintenance fees are reviewed annually.

Petty Cash Procedures	Yes/No/Not Applicable	Comments & Recommendations
Material?	No	No petty cash held.
Imprest system in place?	N/A	Expenses reimbursed by cheque or online payment.
Cash securely kept?	Yes	Any cash received is banked at earliest opportunity. The cash is kept by the clerk between receipt and being deposited at the bank in his locked house. A receipt should be given by the clerk when in receipt of any cash.

Payroll Controls	Yes/No/Not Applicable	Comments & Recommendations
Contracts of employment held?	Yes	3 New employees started during the year. Contracts of employment have been signed but should be reviewed as they do not address all area's expected to be covered in an employment contract/written statement of employment.
Any changes to salary scale agreed & minuted?	Yes	Salary scale payment rates agreed in minutes of the meeting held 30.9.20. Extra flood forum hours also agreed
Payment of wages approved and agreed to payroll records?	Yes	Wage slips used as vouchers in cash book and vouchers initialled. Payments included in minutes and agree to payroll records at year end.
PAYE & NI calculated correctly and paid to HMRC?	No	Payroll services provided Maxwell & Co. This is operated independently by staff not involved in the internal audit. PAYE paid by cheque quarterly to HMRC. The underpayment referred to in the previous report has now been paid. PAYE of £3,094.94 due 19.10.20 does not appear to have been paid as per the cash book. £6,468.15 became due 19.1.21 and £5,123.89 became due 19.4.21. The council should ensure that the PAYE has been paid and that all payments are made when they become due.
Employment status of staff correctly identified?	Yes	Clerk, Assistant Clerk and equipment cleaners treated as employees. The role of the litter picker is still being treated as that of self -employment. The results of the status enquiry test mentioned in the last report was not available.
Pension obligations met - auto enrolment?	Yes	Declaration of compliance completed. No staff eligible to be automatically enrolled. Letters provided to new employees prepared by Maxwell & Co.
Expense payments made according to agreed rates?	Yes.	Mileage paid at 45p a mile for business journeys. Clerk and assistance clerk receive flat rate expense for use of their homes for Council business.
Does the Council have adequate insurance cover?	Yes	Employers Liability cover remains at £10 million.

Asset Controls	Yes/No/Not Applicable	Comments & Recommendations
Does an asset register exist for all material assets?	Yes	Excel spread sheet.
Is the register up to date including current year additions and disposals?	No	The register is not up to date and this should be addressed immediately. A copy of an excel spreadsheet has been uploaded to the parish website which is not correct.
Is the value of individual assets recorded at cost or proxy value, if applicable?	Yes	Recorded at cost excluding VAT. There is also a separate insurance value for the assets though these have not been updated recently.
Has a reconciliation of the asset register against the insured values been carried out?	No	A review was planned as per the minutes from 27.5.20 but this has not happened. The new council will need to review the asset register as soon as possible.
Is the register reviewed and the review documented?	No	As at the time of my visit the asset register spread sheet provided to me was not correct and has not been reviewed or agreed in the current financial year.

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<u>Year End Procedures</u>	<u>Yes/No/Not Applicable</u>	<u>Comments & Recommendations</u>
Year end accounts prepared on correct accounting basis? Gross income/expenditure < £200K	N/A	To be completed
Bank reconciliation includes a cash book summary to meet external audit standard?	N/A	To be completed
Sufficient audit trail from cash book to annual accounts?	N/A	To be completed
Were any changes made to last year's figures? If so, has the column been annotated 'restated'?	N/A	To be completed
Has Council agreed, signed and minuted sections 1 & 2 of Annual Governance & Accountability return (AGAR).	No	The AGAR for the year ended 31 March 2020 was reviewed in the meeting held on the 26.8.20. The minute reference on the AGAR again refers to the Internal audit report. There is no reference to the AGAR being reviewed and agreed, only that it should be forwarded to the external auditor. As mentioned previously, the Council should agree section 1 of the AGAR and minute the fact and then agree the statement of accounts and minute the fact. Before doing this, the Council must consider the ALAR (which they did) and any other comments from the internal auditor so that the Councillors can consider their answers in section 1 of the return. The external auditor noted in their report that the RFO had not signed the accounting statements for 19/20.
Has sections 1 & 2 of the AGAR been published on the Council website together with details of public rights?	Yes	A notice of the public rights for the accounts is displayed on the website and also a copy of the unaudited sections 1 and 2 of the AGAR. Section 2 of the unaudited AGAR is signed by the RFO and the signature of the chairman differs to the signature on section 2, returned by the external auditor with their report. The notice of inspection rights is dated before the AGAR was approved and is referred to in the report of the external auditor.
Has the External auditors review been published on the website?	Yes	Notice of the conclusion of external audit of the accounts for the year ended 31 March 2020 is displayed on the web site together with the rights of inspection conferred by section 25 of the Local Audit & Accountability Act 2014.
Does the Council act as a sole trustee?	No	

Other Comments & Recommendations

The recommendations that have been made are to ensure that the Council operates effectively and continues to meet best practice. The comments refer to issues that require action or improvement. The Council should ensure that it has reviewed the documented internal controls of the Council and the ALAR before completing the AGAR for the year ended 31 March 2021.

Whilst 2020 has been a difficult year all round, it seems clear that there has been a breakdown in internal control and of the standards expected. A full review of all controls will be required once a new council has been appointed.

More guidance on completing the AGAR and the issues raised above can be found in the Governance & Accountability for Smaller Authorities in England - a Practitioners Guide to Proper Practice's. The latest version is March 2021 and this can be downloaded from www.nalc.gov.uk.

Date: 22/4/2021

Name of Internal Auditor: Maxwell & Co

Signature:

