

INTERNAL AUDIT REPORT *for*
ALSTON MOOR PARISH
COUNCIL

AUTUMN 2018 (*half-yearly*)

Covering April to October 2018

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INTRODUCTION

This half- yearly Autumn Internal Audit for Alston Moor Parish Council (hereafter referred to as AMPC, for short) covers the period April to October 2018 in the 2018-2019 Financial Year. This Report provides a seasonal check- up on the accuracy and completeness of the Accounts (including Final Accounts) and of the checks and auditing made on them. This Report also produces a timely assessment of the robustness of internal controls and regulations governing financial transactions, VAT, Payroll, budgetary processes, the security of public funds and procurement are sufficient to prevent financial irregularities and waste. To that end, there is a major section covering the Accounts, financial processes and controls in this Report.

This Report also aims to help ensure that AMPC's functions and operations (both internal and external) are efficient, compliant to legislation, and ethical. To that end sections of this Report cover Internal Controls, Regulations and their effectiveness and the Staff and Councillors who made up AMPC. I have also have a section of this Report discussing the Parish Council's Website and the information available on it because this pertains to the probity and excellent focus on Public Service that is a distinguishing feature of the Parish Council.

I conclude this Report with a positive summary of the AMPC's functions, operations and robust internal controls but with a brief résumé of the few areas identified for which there is room for improvement.

Ian Pennell: November 2018

OVERVIEW

What I have to report in this half-yearly (Autumn 2018) Internal Audit is very good overall. AMPC's functions, the checks and balances in-place to maintain efficient operation (and the adherence to them) to promote high public standards and an excellent local reputation. Overall, the functions of AMPC and the effectiveness of (and adherence to) internal checks and balances have improved further over the last seven months compared to last Financial Year (2017-18).

Accounting records are up to date and checked frequently. Controls on the checks of financial data, the payment of invoices, banking income and the security of Public funds are robust; relevant legislation (the comprehensive Financial Regulations Policy) has been up-dated. Collaboration with external bodies like the National Association of Local Councils (NALC) helps AMPC keep abreast of new policies and best practice.

I can report that AMPC operates to high standards of efficiency in all its operations. Council Meetings, governed by an updated Code of Conduct, are cordial and Council Members are usually (but not always) totally professional in meetings: Since September both they and the Parish Clerk (who is AMPC's sole employee) are governed by a robust Ethical Code having adopted the Nolan Principles (described here: <https://www.gov.uk/government/publications/the-7-principles-of-public-life>). AMPC Members and the Clerk are also governed by the comprehensive (and recently updated) Standing Orders Policy document which also governs the main functions of AMPC; in particular what AMPC Members, the Clerk (and members of the Public) can and cannot do at meetings.

I can report that the AMPC Website is up- to- date, with a wealth of recently- added information covering Policy documents AMPC follow, details of all transactions above £100 during the current financial year, Annual Reports and Budgets, contact details of the Clerk and Councillors (with Declarations of Interest), plus information on local Charities of which some AMPC Members are Trustees: This demonstrates that AMPC is transparent, open to scrutiny and puts Public Service first and foremost.

UPDATE ON ACCOUNTS AND FINANCES

The Accounts from April through October 2018, covering the first seven months of the 2018-2019 Financial Year, are complete and up to date. Aside from a few small errors and omissions (see below) the Accounts are accurate and checked regularly by Councillors, twice each year by the Internal Auditor (who produces a Report like this one) and once a year they are audited thoroughly by an External Auditor who reports back to AMPC. Details of expenditure and Annual Returns for the last three Financial Years are all available to the Public on AMPC's Website. In particular the following points can be made regarding the Accounts:

- 1) All accounting records complete, with payments made by AMPC (normally) supported by Invoices (and/ or Receipts after payment). Receipts of income are adequately supported by paying-in-stubs; receipts of major items of income are also (usually) supported by invoices issued by AMPC (or remittances received from the sources of such income). All items of income for AMPC services are checked off in AMPC's Parish Council Invoicing file as soon as this is received.

The Accounts during the year to date have been done on the correct Accounting Basis (Income and Expenditure), this has been consistent in all records and supported by bank statements, Receipts and Invoices.

However there are some items of expenditure in the Accounts for which there are no corresponding Invoices. Amongst missing Invoices to AMPC, I have identified the following:

- i) 9th April 2018: No Invoice from Alston Town Hall for £264.72 (PAYE costs).
- ii) 22nd April 2018. Missing Invoice from Alston Town Hall for £410.00 (Office Rent.)
- iii) Cheques paid out to two local /charitable organisations- Fairhill Estates and the Alston Moor Newsletter- on 14th May 2018 not supported by receipts from these organisations.
- iv) Some Invoices with no relevance to each other stapled together with other Invoices- i.e. Vince Peart and Quickline (both for 2nd July). This could cause confusion.
- v) Vince Peart's Invoice to AMPC on 4th June did not include the amount of money to be paid to him.
- vi) Payment to Eden District Council on 10th August for Planning Application (Garrigill Village Green) of £231.00 with no Invoice.
- vii) One payment made in October 2018- to "S. James Gardening Services" for £240 not supported by any hard documentation.

Two quite major sources of Income during the last seven months do not have hard-copy Remittances for them: These are two Income Receipts from Alston Town Hall, one to pay for their Insurance on 12th July (for £2,315.35) and the other on 6th August 2018 (for PAYE costs) totalling £495.67. There is, however, a record of these receipts to AMPC in the Parish Council Invoicing file.

Neither Sec. 9.6 Financial Regulations or Section 17 (a-e) Standing Orders specifically require that AMPC keeps hard- copy remittances for all items of income (details written in paying-in book stubs are deemed sufficient). However it is good practice to keep receipts for substantial items of income, (i.e. over £500): It's very unlikely that AMPC will ever fall foul of the updated Anti Money- Laundering Legislation (AMLL) or the Bribery Act (2012) but keeping remittances for major sources of Income is an extra safeguard. AMPC's Policy of not having Cash on AMPC premises is also an additional safeguard.

The Clerk has promised to find Invoices identified that may have been mislaid and to chase up those not sent by suppliers, etc.

- 2) Accuracy in the Accounts is maintained to a very high standard. This demonstrates attention to detail and cross-checking to make sure that transaction amounts (and Invoicing by AMPC) correspond exactly to all corresponding transactions recorded in General and Monthly Accounts and Bank Statements.

There is one small error that I have discovered in the Accounts: On 19th April 2018, recorded in AMPC's Invoicing file is Invoice 512 for Ms W. Morris/ V.

Simms to pay AMPC £18.00 for Garden Rent. The general Accounts later record two items of income connected to this invoice, the total of which is £20.50.

Another (possible) error is a stray receipt for a cash payment from “Whitehaven Garden Centre” on 8th August 2018: This may relate to the purchase of netting to put on Alston Market Cross. There are no records of this transaction anywhere in the Accounts or the Bank-Statement but there was an Invoice for the reimbursement of netting purchased for the Market Cross paid on 3rd September. The amount for this transaction was actually £52.44.

Bank Reconciliations are done at the end of each month and are signed off by two Members of AMPC every three months (one of whom is the Chairman), to provide an extra safeguard ensuring the accuracy of the Accounts.

However there has also been a recurring error with all the Bank Reconciliations completed so far in 2018-19; fortunately not led to major errors in the Accounts. This error arises from the spreadsheet formula used to calculate an adjusted bank-balance after allowing for un-cleared cheques- those recorded in the Accounts but which haven't cleared through the bank by the month's end. This formula subtracts a negative value (minus the sum of un-cleared cheques) rather than subtracting the positive total sum of these cheques: Subtracting a negative number has the same effect as addition of the corresponding positive number. This leads to a higher *adjusted balance* when the *adjusted balance* (allowing for un-cleared cheques) should be less than the Bank Statement closing balance. Fortunately, this adjusted closing balance was not used in the general Accounts.

- 3) VAT is properly accounted for, with correct records of VAT costs incurred for each Invoice. Again, this is cross- checked against the source records (invoices and/ or receipts). The running total of VAT costs incurred is calculated and updated automatically with each payment. This makes it easier to calculate VAT to be reclaimed at the end of the Financial Year.
- 4) Payroll records are properly maintained: AMPC's sole employee- the Clerk receives a Pay-slip detailing Pay, Pension, PAYE and National Insurance each month. The monthly Payroll is completed by the same person who does the Accounts, who has done both jobs to a high standard for many years.
- 5) AMPC have rigorous controls on payments made by the Council. All payments to be made must be supported by Invoices and they must be approved (by vote) by Council Members. Each month a check is made as to whether adequate funds are in the main bank-account to cover the payments in AMPC Meetings and this has to be signed. All payments by cheque only then proceed with signatures from two AMPC Members on each cheque.

All income is recorded appropriately in the Accounts, with all cheques/ money promptly banked by the Clerk. Cash is never kept in the Office.

The main Policy documents governing all financial and accounting operations pertaining to AMPC (which have been updated) are Financial Regulations and Standing Orders (there are non-statutory guidelines covering accounts, auditing and procurement- statutory orders are in bold print). These are now on AMPC's Website. The updated Anti-Fraud and Corruption Policy document governing reporting of suspicious financial activity, avoiding Conflicts of Interest and which puts an onus on AMPC Members and the Clerk to be vigilant was adopted in June: This is also on the Website. AMPC also now have an AMLL Policy.

All these Policy documents and controls in place illustrate that AMPC have sufficient safeguards to uphold the highest standards of integrity, probity and security regarding the Accounts, security of Public funds and financial affairs.

- 6) Assets and Investment registers, complete with dates for when assets were acquired (and their cost), are kept up to date. Details of assets owned by local Charities (for which AMPC Members are Trustees) are also kept.

The Insurance cover that AMPC has to cover against possible damage to (or loss of) most of these assets is sufficient: The Insurance also covers against Public/ employer liabilities, malicious/ accidental damage to premises, storm/ flood damage, fraud/ theft, and pollution liability. It is very satisfactory for AMPC.

It is worth noting that a few of the assets owned by AMPC (such as Nenthead Fountain and bus- shelters) are not insured on grounds of cost.

- 7) Budgetary Controls are rigorous: The Council Tax Precept (the main source of Income for AMPC) is determined by a Budget detailing AMPC's financial commitments- complete with expected financial commitments. This Budget is finalised by late January for the new Financial Year starting in April. During the year total expenditure is monitored, with checks on what has been spent compared to Budget for each area of spending.

Each Committee on AMPC is required to provide predictions of forecast expenditure going forward (and forecast income, where relevant) by the end of November- to be discussed/ amended and approved by AMPC before inclusion (in January) in the Budget for the next Financial Year.

All Section 137 (General Purpose) expenditure by the Parish Council is well within the Statutory Limit for such expenditure (£7.86 per elector for 2018-2019), both in the Budget and in terms of actual spending so far this Financial Year. In the Budget drawn up in January it was £4,000 which is about £2.40 per voter on Alston Moor (electorate just 1,668 in 2017).

Variances of actual compared to budgeted spending for 2018-2019 will not be entered into the Accounts until April 2019. However, the closing balance in the main bank-account used by AMPC as of 31st October (also recorded and noted in 5th November meeting) and total expenditure in the main Accounts at 31st

October indicate that AMPC will remain on Budget vis á vis the Precept until end of 2018-2019. Controls on spending are robust; there's little risk of waste.

- 8) The security of monies held by AMPC (including money held in Trust for local Charities) is more than sufficient. Cash is never stored in AMPC's Office and all income receipts are banked promptly. Means of payment like cheque books, debit cards and PIN numbers are locked away securely.

There is a small risk of AMPC's office at Alston Town Hall being burgled because security regulating who enters the Town Hall building is non-existent. However, the comprehensive Insurance Policy covers against possible theft or damage/ loss of AMPC property.

INTERNAL CONTROLS AND REGULATIONS

AMPC, its internal, external and public operations and functions, are governed by statutes laid out in a range of Policy documents covering everything from Finances through Data Protection to Health and Safety. A whole range of Policy Documents governing all operations of AMPC have been up-dated, adopted at AMPC Meetings in May/ June 2018 and they are now on AMPC's Website.

The main Policy Documents governing the conduct of AMPC are the Standing Orders (updated and adopted by AMPC in May) and Financial Regulations documents. The Financial Regulations Policy covers all issues related to AMPC's financial operations including the Accounts, Auditing, and with policies to prevent fraud. Financial Regulations is very comprehensive; AMPC Members and the Clerk (who is also the Responsible Financial Officer, RFO for short) adhere strongly to it. The Standing Orders Policy document mainly covers the conduct of Council Members at Meetings including how they should vote (with robust provisions to prevent conflicts of interest). Standing Orders also cover the election of councillors, complaints procedures, data protection and tendering of Contracts. Internal functions of AMPC Members and Staff are also regulated by an updated (NALC Model) Code of Conduct.

Employment legislation and policies are taken seriously by AMPC; these- including Disciplinary and Grievance Procedure Policy documents- were up-dated in June. The Clerk had her contract updated and accepted by AMPC in July, with AMPC voting to accept NALC's Pay Review: Pro-rata the Clerk's pay is now in line with national guidelines for the pay-scale that she is on. Unfortunately, the Clerk's Employment Contract has not been signed and dated; this is something that needs to be done sooner rather than later.

Health and Safety is taken very seriously, underpinned by a comprehensive and updated Risk Management Policy adopted by AMPC on 4th June. Also adopted by AMPC in June is a Lone Workers' Policy which provides guidance for AMPC's sole employee who often works alone. A comprehensive Risk Register covering all health and safety, contract delivery, data-protection and financial risks- complete with procedures for minimising such risks, was up-dated and approved by AMPC in March

2018. The requirement for the new Manager and the Caretaker at Alston Town Hall to complete a Ladder Training course (at the behest of AMPC) in July is evidence of seriously AMPC take Health and Safety.

AMPC is fully compliant with all updated data-protection legislation (GDPR 2018). There are strong safeguards in place to protect personal data used by AMPC: In particular that personal data about individuals is not kept for longer than necessary, Councillors can only access the minimum of such information required to perform their duties for the Public and such information is destroyed when no longer needed. Such information, along with documents containing other sensitive information is stored securely (password- protected) off premises; sensitive electronic data is stored securely in a Cloud. AMPC also complies with Freedom of Information Act (2000) legislation and AMPC has recently up-dated its Policy document relating to FOI. The Policy document is very comprehensive, with a provision that AMPC would reply to FOI requests within 20 days.

AMPC is frequently in liaison with Cumbria Association of Local Councils (CALC) and also NALC: These organisations provide training-sessions to help the Clerk and Members of AMPC get AMPC up- to- date on relevant policies and best practice: Thus AMPC is up-dated regularly on all legislation relevant to its operation complete with instruction on best practice.

During October, the AMPC Clerk attended Appleby Town Council's Meeting to see how their Council operated. This was done to find out if AMPC could learn from their operation and make further improvements to how it conducts its business: I note that the Clerk plans to attend the Appleby Town Council Meeting again with one or two Members from AMPC this month (November) and that AMPC's Chairman intends to visit several Parish Councils to see how they are run. Few Councillors/ Staff are so keen to improve how they work that they would attend Meetings of other Councils: This is commendable.

Underpinning the conduct of AMPC Members and Staff and all Council activities are the seven Nolan Principles of (Ethical) Standards in Public Life: These were adopted by the Council in September and they help to ensure that AMPC's already excellent Public reputation is further enhanced.

The Statutory Spending Powers and General Powers of Competence (Sec 1.1 of the Local Government Act (2011)) are currently sufficient to cover the current responsibilities for the Parish Council. However if Eden District Council (or Cumbria County Council) plan to delegate further responsibilities to AMPC in the future the existing powers that AMPC has- with relation to what it can do, tendering for services and raising finance- may have to be reviewed.

AMPC WEBSITE AND ACCOUNTABILITY

AMPC has recently updated its Website and the local Council has taken great strides to ensure that it is seem to be transparent open and even more helpful to the general

Public through its on-line interface. In particular, the following are now on the AMPC Website:

- 1) The Minutes of Monthly Council as soon as completed. For instance, the Minutes for the November 2018 Council Meeting are already on the Website in draft form. In addition the Minutes from Annual Parish Meetings for both 2016 and 2017 (but not 2018) are on the Website.
- 2) Planned future AMPC Meetings well in advance. For instance, details of the venue and time for the Annual Precept Meeting on the 14th January 2019 are already up. Agendas for upcoming Council Meetings are advertised in several locations in the Parish at least three days prior to the Meetings in question.
- 3) All items of expenditure for the current Financial Year that are in excess of £100 (including what these were for).
- 4) The Final Accounts, Annual Audits and Budgets from 2016-2017.
- 5) Names, e-mails and telephone numbers for the Clerk and AMPC Members: AMPC Members' Registers of Interest (recently up-dated) are published. Also on the Website are contact details for the Caretaker and new Manager at Alston Town Hall. Positions held by AMPC Members are listed.
- 6) The External Audit certificate for the last Financial Year.
- 7) Annual Reports for the last three years.
- 8) Community Action Plans for Alston Moor dating back to 2002. There is now a Draft version of a new Alston Moor Community Plan for 2018.
- 9) Charities, of which AMPC Members are Trustees, with contact details.
- 10) E-mail Contact Form with message forwarded to the Clerk.
- 11) Extensive Policy documentation.

The AMPC Website has been much improved over the last seven months. Reports, documents and information are current and it is clear that files are up-loaded to the website regularly. The only problems with the Website are a couple of missing links, i.e. the link to the Subject Access Policy just returns one to the AMPC Policies web-page, not the Policy Document in question. Nevertheless, the information made available to the Public on the Website demonstrates that AMPC are transparent, open to Public scrutiny and are keen to maintain a website that the Public finds helpful.

STAFF AND COUNCILLORS

Alston Moor Parish Council is run by its Councillors and the Clerk (who is also AMPC's Reporting Financial Officer); they are polite and welcoming with a drive to provide an excellent service for the Public. Parish Council Meetings are normally conducted in a civilised and polite manner, even when disagreements occur. Unfortunately this is not always the case: In the September Council Meeting one Member expressed dismay that some Members did not work together as a team and disparaged other Members of AMPC instead of upholding professional standards. This

issue was raised, ironically, when the Council was discussing and adopting the Nolan Principles of Standards in Public life: The adoption of the seven Nolan Principles by AMPC, governing the maintenance of high ethical standards, should be a constant reminder to all who represent AMPC to maintain high standards so that AMPC maintains its excellent reputation.

Despite the above shortcomings, AMPC Members and the Clerk are polite and courteous to members of the general Public; the general Public are always welcome to attend Council Meetings and contribute. The AMPC Members, most of whom have lived and worked locally for many years, take their duties seriously and religiously abide by the rules and policies governing their conduct.

Members of AMPC and the Clerk regularly work in collaboration with Eden District Council and Cumbria County Council to ensure improvements to Services and foster Community Programs not directly under AMPC's remit. This is done to improve Public Service and the quality of life locally. A recent example is the promotion of a Good Neighbour Scheme in collaboration with Cumbria County Council and local Volunteers' Groups to help vulnerable folk.

The fact that AMPC Members and Staff work with other authorities to provide additional services and ensure work outside their remit is done to improve the quality of peoples' lives serves to make AMPC a true asset for Alston Moor.

CONCLUSIONS

In comparison to the main Internal Audit for AMPC that I completed in April, what I can report in the half- yearly Autumn 2018 demonstrates an improvement in the overall conduct of Council business, internal operations and controls, financial management, health and safety awareness: All of this has been underpinned by the adoption of a range of up-dated Policy Documents covering every operation and function likely to be performed by Council Members and Staff. The entirety of AMPC's functions are further improved by collaboration with NALC and CALC (and other local authorities) so that AMPC stays on top of new legislation and adopts best practice in all it does. AMPC also demonstrates greater accountability and openness to Public scrutiny by putting up-dated extensive information on its Website.

AMPC's adoption of the Nolan Ethical Principles should serve to further enhance the reputation and high standing of Alston Moor's local Parish Council in future, but this won't happen if some Members can't work with each other in Meetings.

The management of the finances and accounting records remains very good, helped by the fact that the person who completes the accounts- and who also does the Payroll- is very experienced. Accounts and bank reconciliations are checked regularly and signed off and they are audited internally twice a year and externally audited annually: Recent audit results have been good or very good.

However, I have had to report that there were some payments recorded in the Accounts that were not supported by Invoices (or, in the case of Community groups receiving money from AMPC, Receipts). It is vital that all payments are supported by Invoices, not just for the Accounts but to provide extra checks before monies are paid out. There were also a couple of errors in the Accounting records: Fortunately, none of the errors led to erroneous calculations for the total amounts of money spent at the end of each month. Even so, such small errors serve to demonstrate how vital it is that those entering Accounting data into spreadsheets and typing it up into reports have a high degree of attention to detail and double-check and cross-check everything that is entered meticulously.

On a very positive note the internal controls on approving payments, writing cheques, forward planning and budgeting are very strong and are underpinned by a comprehensive Financial Regulations policy document. All payments to be made are presented at Council Meetings with Invoices taken along by the Clerk to support them and these have had to be approved by Council before being paid. Security controls regarding Council funds (and sensitive data) are robust.

If the few short-comings that I have identified are addressed; if AMPC continue to collaborate with other bodies like NALC and Cumbria County Council to keep abreast of new policies and guidance and to provide more (and better) services to support local residents then there is no doubt that Alston Moor's local Council could well become one of the most outstanding local Councils in the UK.