

INTERNAL AUDIT REPORT

for

ALSTON MOOR PARISH COUNCIL

*Covering the April 2017 to
March 2018 Financial Year*

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Introduction

This is the annual Internal Audit for Alston Moor Parish Council covering the April 2017 to March 2018 Financial Year. This report covers the accuracy of the accounts, VAT accounting, financial controls and payroll; whether insurance documents, asset registers and policy statements and documents such as risk management covering legislation relevant to the local Council are up to date.

This report also covers other matters affecting the operation, probity and excellent reputation of Alston Moor Parish Council such as the public record of council meetings in the Minutes, data protection and secure storage of sensitive and other information, the parish council website (including contact details of Parish councillors and staff) and making sure these are accurate and up-to-date.

A Positive Overview for 2017-18 and items checked as very good

I am pleased to report that the Accounts are all up to date; that the Accounts and records of them are all in order, Payroll is done monthly and VAT is properly accounted for. Oversight and the checks within Alston Moor Parish Council (hereafter referred to as AMPC) is robust and up-to-date. Adherence to policies covering Health and Safety, the security of money and property belonging to AMPC (and charitable funds for which AMPC Councillors look after), data-protection and freedom of information legislation is comprehensive and up-to-date. Data is stored securely and off-premises, whilst the AMPC website (<https://www.alstonmoor.org>) is kept updated with current information, including the Minutes of Council Meetings.

In particular, the following aspects of AMPC accounts and its operation are commendable:

- 1) The Accounts of AMPC for 2017-18 are accurate and up-to-date; there is a clear audit trail for AMPC regarding the making of payments and receipts received from invoices received/ issued, through cheque-stubs to records in the Accounts. Bank Reconciliations are done and recorded correctly.
- 2) Accounts are checked not only twice-yearly by the internal auditor but the accounts are checked quarterly by members of AMPC who

are not involved in making financial decisions, as specified in AMPC Financial Regulations (2018).

- 3) The AMPC Financial Regulations document (AMPC Financial Regs 2018) has recently been updated.
- 4) AMPC has a policy on the Financial Regulations (including Standing Orders)- adopted June 2014, updated and adopted July 2017 and reviewed March 2018 (see Minutes of relevant Council Meetings).
- 5) All items of expenditure over £100 are listed on AMPC's website.
- 6) AMPC General Purpose Expenditure (Section 137) during 2017-18 was well within limits.
- 7) The Statement of Accounts for the 2017-18 Annual Return have been completed.
- 8) A resolution has been made for AMPC to continue to have eligibility for the General Power of Competence during 2017-18 (see 8th May 2017 Meeting).
- 9) VAT is accounted for correctly in the cash-book, a record is made of VAT paid to HMRC. This is reclaimed annually.
- 10) AMPC has a robust system of authorising payments, two signatures are required of Councillors for payments to be made: AMPC has a policy of banking any cash receipts as soon as possible and of not keeping cash on the premises, for added security.
- 11) AMPC has an up-to-date Assets Register; the Insurance for all items owned, leased or rented by AMPC is sufficient and proportionate with Insurance covering the following for 2017-18:
 - i) Public Liability: £10 million
 - ii) Employers' Liability: £10 million
 - iii) Council Assets: £1.5 million
 - iv) Fidelity Guarantee Insurance (to cover employee dishonesty) : £50,000
- 12) Parish Council Standing Orders have been reviewed recently. See Minutes of AMPC Meeting of 5th March 2018.

- 13) I am satisfied that the Payroll (including National Insurance and PAYE) for the Clerk (the only person employed as staff by AMPC), is completed satisfactorily each month after communication with the Accountant on 22nd April 2018. Future management of PAYE for AMPC staff was earlier discussed on 4th Sept. 2017 (see Minutes).
- 14) Procurement costs are kept down by getting quotes from different firms able to carry out work as AMPC require. This procedure is regularly followed with payments for work that AMPC wants done when these exceed £1,000.
- 15) The Clerk for AMPC is also the Responsible Financial Officer (RFO) with the role of overseeing the finances relating to AMPC. Her duties are listed in Financial Regulations (pp2-4).
- 16) There is a Code of Conduct that Parish Councillors abide by requiring them to declare any gifts over £50, something that has never happened to AMPC. There is also a Register of Interests, with a Declaration of Interest published on AMPC's website for each councillor. AMPC is open and transparent and it complies with the provisions of the Freedom of Information Act (2000).
-AMPC's Publication Scheme can be found at <http://alstonmoor.org/wp-content/uploads/2016/12/FOI-Publication-Scheme.pdf>
- 17) Contact details for the Staff and Parish Councillors of AMPC are available on AMPC's website. These include e-mail addresses and phone numbers. The positions that Councillors hold and their positions on external local public bodies are also published on AMPC's website under "COUNCILLORS".
- 18) Data protection and confidentiality issues are taken seriously, for instance it is mentioned in the Council Meeting Minutes that members of the public attending meetings are required to leave the room when confidential matters are discussed; CALC is working on the data-protection code (to comply with GDPR 2018)- that AMPC will soon implement.
- 19) The Risk Assessment and Risk Management scheme has been reviewed rigorously in January this year (see AMPC Minutes) and the documents covering both Risk Management and Risk Assessment have been updated early in 2018, AMPC agreed to

comply with these in March 2018. These can be found among the recent Minutes of AMPC Meetings.

Risk assessments and risk-management are taken seriously, public safety and the safety of those mandated to carry out work for AMPC is taken very seriously with measures taken to ensure this; for example volunteers putting up the Christmas lights in December are required to have ladder- training experience (see updated AMPC Risk Register in the Minutes file).

- 20) Measures are taken to store electronic records remotely (in a cloud), confidential data files are stored securely off-premises.
- 21) AMPC have a Health and Safety Policy Document which demonstrates adherence to the provisions of the Health and Safety at Work Act (1974).

Annual Internal Audit Report 2017/18

On page 3 of the Annual Governance and Accountability Return (Part 3) is the Annual Internal Audit Report checklist (enclosed with this Report): Nine out of the ten items on the list, covering everything from accounting records, risk assessment, council budgeting for the precept, salaries paid and bank reconciliations were confirmed as implemented positively. Petty cash was ticked as “Not Applicable” but this is not in any way a black mark against AMPC but part of their strict security controls as AMPC does not keep cash on the premises: If AMPC receives cash it is banked as soon as possible.

Assets and Investment registers are available and are kept up to date. There is also a list of most of non-financial assets held by AMPC is in the AMPC Risk Assessment 2017-2018 document: There is adequate Insurance to cover against buildings and contents in case of loss or damage but for the outside assets like the War Memorials, bus stops and the like it is just public liability insurance. Investments- in the form of money in various bank accounts (two of which are reserved accounts)- are listed in the “Balance Sheet” of the Accounts for 2017-18.

Some Matters of Concern

I have been very thorough with the AMPC Internal Audit Report, but whilst I have found that whilst the great majority of what I have

investigated is to be reported as very satisfactory there are some small matters which I believe need to be brought to the attention of AMPC so that these matters can be addressed going forwards. This would enable the excellent public reputation of Alston Moor Parish Council to be maintained and indeed to be enhanced. The issues that I have identified are as follows:

- 1) Contracts and job-description documents for staff employed by AMPC must be updated. This is an issue that has been on-going despite it being discussed in September 2017's AMPC Meeting. The Clerk, employed by AMPC, has a contract for her employment but it is out of date. The Clerk sent a draft Contract of employment to AMPC for it to be signed three years ago but this has not happened. The Draft Contract would include details of externally recommended pay-increases but as the Contract has not been updated the Clerk's pay has scarcely changed in the last couple of years.
- 2) I have not seen any Policy Document showing how AMPC safeguards against falling foul of Anti Money-Laundering Legislation (AMLL), the scope of which covers a very wide range of activities. A Policy Document showing adherence to AMLL with guidance for AMPC Councillors/ Staff would help them remain vigilant (even though Money Laundering is very unlikely with regards to AMPC): It would demonstrate to external bodies and the Public that AMPC is up-to-date on AMLL with relevant procedures in place.

On a positive note, I am assured that the AMPC Clerk has found a comprehensive Anti-Money Laundering Policy, which she has sent to the Cumbria Association of Local Councils (CALC) to look at.
- 3) The Responsible Financial Officer (RFO) is the Clerk. She also has a draft job-description that also needs to be approved along with her Contract by AMPC. There is no actual document stating who the RFO is and what her responsibilities are.
- 4) As part of AMPC's Internal Controls with regards to handling money, particularly making payments there is a requirement for two councillors to sign cheques and cheque-stubs. Most of the cheque-stubs for payments during 2017-18 have been signed in

this way, but there are some cheque-stubs, with only one signature and a couple of cheque stubs have nothing written on them at all.

- 5) Incidents of Councillors not leaving the room when Standing Orders are discussed- where they have a pecuniary interest in the matters discussed (see item 10.d of Minutes to 5th Feb. 2018 Meeting). It is stated in the Code of Conduct that Councillors cannot be in a position to vote on matters where they have a personal interest in the outcome. It furthers the probity and good reputation of AMPC if this is adhered to.
- 6) Only one lot of quarterly accounts during the 2017-18 financial year, those for April to June 2017 are specifically available. There are, of course, comprehensive Annual Accounts covering 2017-18 there do not appear to be quarterly Accounts for July to September, October to December and January to March 2018. This is not a serious matter because most of the transactions (income and expenditure) involving AMPC occurs during the spring and early summer months, with rather less activity from August onwards.
- 7) Approval for expenditure above £1,000 on major works to be done is covered in Council meetings with agreement from a majority of AMPC Councillors that is required before money is spent.

However there appears to be one major cost-overrun, with work that was required to remove dead trees (Sept-Oct 2017) overrun by almost £500 (including VAT) compared to the originally agreed price (see August 2017 AMPC Minutes). The original quote was inclusive of traffic management costs.

- 8) A look at the Variances covering the 2017-18 Financial Year showed that AMPC received less money than last year but paid much more out. I notice that money was received for the War Memorials in 2016-17 but this was spent in this financial year (2017-18). I see this goes into a special War Memorial Fund that AMPC cannot spend as it sees fit. There were substantial increases in property management costs and precepted donations from 2016-17 to 2017-18. However, I notice that the precepted

expenditure has come in well under the expected budget for 2017-18 as at the end of March 2018. AMPC had substantial net outgoings during the 2017-18, but this was more than covered by funds in the main account.

A small statement, within the annual Variances file, explaining why there are sharp variances compared to budget or the previous financial year (if any) would help clarify the areas of expenditure that could cause financial issues later. Although this is not in any way mandatory it would help with the internal controls on AMPC's finances.

- 9) In the quarterly Accounts covering April-June 2017 (file: Jun Accounts 17 18, "Expenditure"), below line 150 which has "Establishment" there are error messages "#REF!" and "#VALUE!" in place of expected financial values. Fortunately, this has not altered the final accounts figures for this quarter in any way because the totals of expenditure were calculated in above cells, but it could have. When data is put into a Spreadsheet (the file in question is an Excel Spreadsheet file) it is important to be sure that the cells have the correct format, and to check that if data used in calculations is moved, changed or deleted to see whether the effect on calculated results leads to errors or error-statements.
- 10) The Bank Reconciliation with the Bank Statements has been done monthly, however there has not been one done for March 2018, right at the end of the 2017-18 Financial Year. Upon inspection I found a few Bank Reconciliations to be slightly in error- for instance in the end-January 2018 Bank Reconciliation the bank balance for the Money Manager Account at end of January was the balance on this account for the end of November 2017 and the end of August balance had entered the end of September bank-balance. However, the Balance Sheet for bank-balances at 31st March 2018 in the "Accounts 17-18" file, show the correct year- end balances.

The Minutes of AMPC Meetings during the 2017-18 Financial Year show receipts and payments made regarding Alston Town Hall at the very back of the Minutes. This is in addition to AMPC payments and receipts to be approved. It is not very clear that

these Alston Town Hall payments are entirely separate from those of AMPC in some of the Minutes of Meetings earlier in the financial year; however I note that more recent Minutes of the Minutes show that Alston Town Hall payments are identified clearly. It should be clear that the two accounts are separate as this helps the Accountant, internal auditor and the Clerk/ RFO in their work.

- 11) Online records and documents on the AMPC Website need to be kept up to date. For example, there are details for Parish Council Surgeries for November and December 2015 and the list of Council Meetings with venues covers 2017. It is important that the website is up-dated with older details replaced (where possible) with current information.

On a positive note, the minutes of the monthly AMPC meetings are published and are up to date. There are up-to-date contact details of AMPC staff and Councillors complete with a record of their Declarations of Interest. Records of the Annual Report, year-end Accounts and latest external Audit Reports are all online. This demonstrates that AMPC is transparent and open about its operations to the public.

None of the matters covered above are major oversights that would seriously compromise the reputation of AMPC. The Parish Councillors are busy people who have jobs in addition to their role as local councillors, as are the Clerk and the accountant paid to do AMPC's accounts- and human error is possible. However, a system of check-lists aimed at minimising the matters raised above would help to maintain and even improve the already excellent public standing of AMPC: For instance, the two-signature rule must be rigorously adhered to, contracts and job-descriptions must be kept up to date, accounting records checked thoroughly for errors and discrepancies before publishing and Policy Documents demonstrating adherence to Health and Safety, Financial Regulations and other legal requirements need to be kept up to date. Online records, documents and contact details of staff and parish councillors must also be kept up to date.

Conclusions

The results of my audit show that AMPC has strong internal controls with checks and balances to make sure that money is spent according to budget. The accounts are kept up to date, are checked regularly and are without significant errors. The safeguards to keep money secure, keep data files up to date and secure, to undertake and keep to all legislation governing running the Council and to ensure the safety and well-being of the public and those who do work for the local council are all well in place and are updated as appropriate.

There are some issues that both the internal and external auditor and external bodies like CALC could pick up, which I have discussed above: In particular, contracts of employment and job-descriptions for staff must be up-to-date. Members of the public would also notice if the Parish Council website had any out-of-date information on the website. However, if these issues are addressed and AMPC continue to maintain their otherwise excellent internal controls then the public reputation of AMPC will be outstanding in every way. It is noticeable that AMPC has a three-star rating on their website- it would be great to get that up to five stars.