

Internal Audit

Dunchurch Parish Council

Year Ended 31 March 2020

Internal Auditor: Trevor B Gill

This audit report is based upon the Association of Local Councils recommended checklist, introduced in 2016, with the Practitioners' Guide to Governance and Accountability in Local Authorities

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Internal Audit Summary Checklist Report for Dunchurch Parish Council

Year Ended 31 March 2020

Basis of the Report

This internal audit report is based upon the National Association of Local Councils (NALC) recommended check-list produced in 2016, in conjunction with the Practitioners' Guide to Governance and Accountability.

The scope of this internal audit is focused on assessing the effectiveness of the Council's internal controls. Where any such controls are found to be deficient, the internal audit will help lead to improvements in these processes.

By applying the principles of internal auditing, outlined in the current Accounts and Audit Regulations and applying the approach to internal audit and testing outlined in paragraph 1 above, every effort is made to ensure that all internal audits are conducted with due professional care, integrity and independence. All conclusions derived from the audit are based upon objective and traceable evidence.

NB: It would be incorrect to view the internal audit as the detailed inspection of all records and transactions of the Council in order to detect fraud. It is the periodic independent review of a Council's internal controls resulting in an assurance report designed to improve effectiveness and efficiency of the activities and operating procedures under the Council's control. Managing the Council's internal controls should be the day-to-day function of the staff and councillors and not left for internal audit. (Source: Governance and Accountability for Local Councils - A Practitioners Guide - 2020)

Internal Audit for Dunchurch Parish Council

Table of Contents

Table of Contents	3
1) Introduction	4
2) Bookkeeping	4
3) Due Process	4
a) Standing Orders	5
b) Minutes	5
c) Agendas	5
4) Risk Management	5
5) Budget and Precept	5
6) Payroll - Clerk	5
7) Asset Control	6
8) Bank Reconciliation	6
9) Year End Procedures	6
10) Charities	6
11) Burial Authorities	6
12) Income Control	6
13) Petty Cash	6
14) Dunchurch Parish Council Website	6
15) Miscellaneous Items	7
16) Conclusion	7

Internal Audit for Dunchurch Parish Council

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1) Introduction

The audit was undertaken during July 2020 and was conducted by using the documents available on the Dunchurch Parish Council website, email correspondence and via remote discussions with the Clerk using Zoom.

I have not examined or reviewed and hard copies of minutes or documentation due to the restrictions under the governments COVID 19 guidelines. However, I do not believe, that if these hard copy reviews had taken place it would have materially changed this report, it's observations or recommendations.

The financial year ended 31 March 2020 has been a very difficult period in the life of Dunchurch Parish Council. The councillors who were elected in May 2019 have all resigned before 31 March 2020 and there was a protracted period during 2020 when the Council was not quorate. It is relevant to record that during this period Rugby Borough Council were approached for assistance and when this was provided Dunchurch Parish Council was formally able to co-opt new councillors. Following these co-options Dunchurch Parish Council is now quorate.

In addition to the above, the previous clerk to Dunchurch Parish Council went on long term sick in September 2019 and the Responsible Financial Officer resigned shortly after. During this period the Council did not have the support required and there was a lack of understanding of the governance and procedures required by legislation and best practice. This report should be read therefore with this in mind and in particular the section covering risk assessment. It is relevant that Warwickshire & West Midlands Association of Local Councils (WALC) could, and probably should, have been approached to help to identify a locum who would be able to provide total support (rather than just for minute taking) and this would have ensured that the smooth and efficient running of the Council was maintained.

The current Clerk and responsible Financial Officer was appointed on 3 February 2020 and has worked diligently and in a professional manner to identify rectify the issues that she inherited. She fully understand's the governance and procedures required and I am confident that with the support of Councillors the recommendations within this report will be reviewed and implemented where appropriate.

2) Bookkeeping

Dunchurch Parish Council uses the AdvantEDGE Accounting Solutions Accounting package and this provides the necessary accounting functionality, reporting and VAT return procedures.

A review of the package and the procedures adopted reveals no issues. The package is very well understood by the Clerk / Responsible Financial Officer ("RFO") and meets the accounting, bank reconciliation and control needs of Dunchurch Parish Council. They also receive a high level of support, when required from the software providers. It is pleasing to note that they use this support as and when required.

Please see my comments in Section 3 Due Process in respect of the authorisation of payments.

3) Due Process

Internal Audit for Dunchurch Parish Council

a) Standing Orders

Dunchurch Parish Council should undertake a thorough review of all procedures and standing orders to ensure that they have the appropriate documents in place to meet the rapidly changing environment in which they operate.

It is suggested that an approval schedule is added at the beginning of all standing orders and policies.

b) Minutes

There is a requirement for all payments to be itemised within the agendas and minutes and for these items to be formally agreed and the schedule signed to confirm agreement. The schedule should be a part of the financial statement presented at each meeting which should contain:

- i) a schedule of all payments and receipts since the last report
- ii) a schedule of all payments made under emergency powers
- iii) a schedule of all payments requiring authorisation
- iv) at least on a quarterly basis a report of payments and receipts by budget category
- v) the balances on all bank accounts. These balances should be checked periodically against the bank statements to confirm that they are correct. This simple procedure is an important mechanism and would identify and possible fraud at an early stage

This statement should then be attached as an appendix to the minutes and maintained in the hard copy file and also made available on the Council's website.

It is a matter for the Council and the Clerk to decide if a review of the minutes and agendas for the year ended 31 March 2020 should be undertaken and any deficiencies rectified.

c) Agendas

Please see my comments above in respect of the financial statement.

4) Risk Management

A review of the risk assessment should be undertaken. With the recent Coronavirus pandemic it is important that the risk assessment is updated covering all areas of the Council's activities and risks. During the review the Council should consider adding specific issue of people risk This should cover the unavailability of the Clerk and Responsible Financial Officer but also as happened where the Council is not quorate. I acknowledge that hindsight is a wonderful thing and we can all be wise after the vent. However, if these items are included, in the unlikely event of a repeat of these instances present and future Councillors will be fully aware of how to deal with these issues.

There have been numerous publications covering this area which could be used as a basis for any update.

As the situation regarding the COVID 19 pandemic is constantly changing it is recommended that the risk assessments relating to this issue are contained within an appendix as the majority of the assessment will remain unchanged as guidelines etc are updated.

5) Budget and Precept

It was noted that the process for setting the budget is robust and properly documented.

6) Payroll - Clerk

Internal Audit for Dunchurch Parish Council

The payroll is processed by the Chair of Dunchurch Parish Council and this is undertaken to a satisfactory standard. It is pleasing to note that this is not carried out by the Clerk and Responsible Financial Officer but by an independent person.

7) Asset Control

It was noted that the assets register is properly maintained and the insurance cover is reviewed on an annual basis to coincide with the renewal of the policy. It is recommended that as periodic checks are undertaken on equipment etc these are formally recorded in the minutes.

8) Bank Reconciliation

The finances spreadsheet contains a reconciliation process which enables the bank account to be reconciled on a regular basis.

9) Year End Procedures

The end of year processes and reporting have been conducted with no issues or concerns identified.

It is worthy of note that the software package used provides reporting to support the year end requirements thus reducing the risk of errors being made.

The bank reconciliations and AGAR reporting were reviewed and no issues were found.

10) Charities

Not applicable

11) Burial Authorities

Not applicable

12) Income Control

All income is properly controlled and recorded in the accounts within very acceptable timescales.

13) Petty Cash

This is not applicable and the necessary letter has been provided for the AGAR reporting requirements

14) Dunchurch Parish Council Website

A recent review of the website by Parish Council has identified the need for a considerable amount of work to be undertaken to bring it in line with the legal requirements that come into force in September 2020.

It is pleasing to note that it has been agreed that a new website will be built to replace the existing facility. Care should be exercised to ensure that it meets not only the requirements for September 2020 but also that the information published meets the Transparency Code requirements and wherever possible includes the data that could be required under a Freedom of Information request.

A review of the documents on the existing website identified that some of the documents are in word or excel format. It would be advisable on the new website for all documents to be in pdf format and possibly with security that would permit opening and printing only as this would considerably reduce the risk that documents could be changed and then reissued as originals

Internal Audit for Dunchurch Parish Council

15) Miscellaneous Items

During the audit process I have become aware that one particular contract for HR support has been entered into and I cannot trace any formal specification of what the contract covers and that it was properly authorised. I would recommend that a thorough review of all aspects of this contract be undertaken to:

- i) ensure that the contract meets current requirements
- ii) the costs involved are commensurate with the services provided
- iii) if either of the above are not met then the Council should consider whether the contract can be cancelled. This might involve seeking the help of previous Councillors who negotiated and agreed the contract

16) Conclusion

Thank you for inviting me to undertake the Internal Audit for Dunchurch Parish Council.

Whilst reviewing the processes, documentation and finances it is very apparent that the affairs of the Parish Council are in very safe hands. Gill has very high standards and fully understands the governance and financial requirements associated with Parish Councils. She is to be commended for the way in which she supports the needs of Dunchurch Parish Council.

It is recommended that all Councillors considering whether it is appropriate for them to attend training courses offered by the Warwickshire & West Midlands Association of Local Councils (WALC).

It is acknowledged that none of the present Councillors or officers were appointed during the majority of the period when issues have been found and it would my opinion be beneficial to have an interim review in October.

Trevor B Gill

28 July 2020