

Horning Parish Council

Internal Audit Report

For Horning Parish Council

Financial Year 2020/21

Including Explanatory Notes for Annual Return
(where a 'no' has been marked)

Prepared by Catherine Moore
2nd May 2021

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I have completed an internal audit of the accounts for Horning Parish Council for the year ending 31st March 2021. My findings are detailed below using the tests provided in the latest Governance and Accountability document. I would like to thank the Clerk / RFO for providing me with all the information required for the Internal Audit.

Internal Control	Test	Observations / Recommendations
Proper bookkeeping	Is the cash book maintained and up to date?	Yes
	Is the cash book arithmetically correct?	Yes
	Is the cash book regularly balanced?	Yes
Standing Orders, Financial Regulations, and Payment Controls	Has the Council formally adopted Standing Orders and Financial Regulations?	Yes
	Date Standing Orders last reviewed	May 2019
	Date Financial Regulations last reviewed	May 2019 – see recommendation
	Has a Responsible Financial Officer been appointed with specific duties?	Yes – Parish Clerk
	Have items or services above the de minimus amount been competitively purchased?	N/a
	Are payments in the cash book supported by purchase orders, invoices, authorised and minuted?	Most – see observation
	Has VAT on payments been identified, recorded and reclaimed?	Yes
	Is S137 expenditure separately recorded and within statutory limits?	Yes
	Have S137 payments been approved and included in the minutes as such?	Yes
Risk Management Arrangements	Does a review of the minutes identify any unusual financial activity?	No
	Do minutes record the Council carrying out an annual risk assessment or review of their risk management scheme?	Yes
	Is insurance cover appropriate and adequate?	Yes

Internal Control	Test	Observations / Recommendations
	Are internal financial controls documented and regularly reviewed?	Yes – see recommendation
Budgetary Controls	Has the Council prepared an annual budget in support its precept and has this been minuted as being approved?	Yes
	Has the precept been calculated from the budget and been approved?	Yes
	Does the budget include an actual completed year?	No – see recommendation
	Is actual expenditure against budget regularly reported to the Council?	No – see recommendation
	Has the Council agreed a General Reserve Policy and is this figure reflected in the 'free balance'?	No – see recommendation
	Are there any significant unexplained variances from budget?	No
Income Controls	Is income properly recorded and promptly banked?	Yes
	Does the precept recorded agree to the Council Tax authority's notification?	Yes
	Are security controls over cash and near-cash adequate and effective?	Yes
Petty Cash Procedures	Is all petty cash spent recorded and supported by VAT invoices / receipts?	N/a
	Is petty cash expenditure reported to each Council meeting?	N/a
	Is petty cash reimbursement carried out regularly?	N/a
Payroll Controls	Do all employees have contracts of employment with clear terms and conditions?	Yes
	Do salaries paid agree with those approved by the Council?	Yes
	Are salaries above the National Living Wage / Minimum Wage?	Yes

Internal Control	Test	Observations / Recommendations
	Are other payments to employees reasonable and approved by the Council?	Yes
	Have PAYE/NIC been properly operated by the Council as an employer?	Yes
Asset Controls	Does the Council maintain a register of all material assets owned or in its care?	Yes
	Are the assets and investments registers up to date? When were these last reviewed?	Yes – dated 2020/21
	Does the asset insurance valuations agree with those in the asset register?	Yes
Bank Reconciliation	Is there a bank reconciliation for each account and is this reported to Council?	Yes
	Is a bank reconciliation carried out regularly and in a timely fashion?	Yes
	Are there any unexplained balancing entries in any reconciliation?	No
Year-End Procedures	Are year-end accounts prepared on the correct accounting basis? (Receipts and Payments or Income and Expenditure)	Yes – Receipts and Payments
	Do accounts agree with the cash book?	Yes
	Has a year-end bank reconciliation been undertaken?	Yes
	Is there an audit trail from underlying financial records to the accounts?	Yes
	Where appropriate, have debtors and creditors been properly recorded?	N/a
Procedural	Is eligibility for the General Power of Competence properly evidenced?	Yes

Internal Control	Test	Observations / Recommendations
	Have points raised on the last Internal Audit report been considered by Council and actioned?	Yes
Transparency: For smaller councils with turnover under £25,000	Are minutes for the whole year on the website?	N/a
	Are agendas for the whole year on the website?	N/a
	Are payments over £100 detailed on the website?	N/a
	Have electors' rights been advertised on the website?	N/a
	Are councillors' responsibilities detailed on the website?	N/a
	Is the last financial year's Annual Return on the website?	N/a
	Are the land and building asset details on the website?	N/a
Councils that are Burial Authorities	Are fees levied in accordance with the Council's approved scale of fees and charges?	N/a
	Have fees for the cemetery been reviewed and agreed by the Council?	N/a
	Were comparisons made with other cemeteries prior to setting the fees?	N/a
	Have burial books been kept up to date and are they safely stored?	N/a
Councils with Allotments	Has a list of allotment holders with amounts paid to Council been submitted?	Yes
	Have fees for the allotments been reviewed and agreed by Council?	No – see recommendation
Councils with Charities	Have Charities reported and accounted separately?	N/a
	Have Charity accounts been independently audited?	N/a
	Have the Charity accounts and Annual Return been filed within the legal time limit?	N/a

Internal Control	Test	Observations / Recommendations
General Data Protection Regulation	Has the Council adopted a Data Protection Policy?	Yes
	Has the Council put in place Privacy Notices?	Yes

Summary of Recommendations:

- Not all payments were accompanied by supporting paperwork, and there were some invoices that were paid by Standing Order without receiving invoices. Invoices should be received to ensure that the Council can reclaim all VAT due.
- New model Standing Orders and Financial Regulations have been issued recently, I note that the Financial Regulations are based on the 2016 model so Council could consider reviewing the most recent model documents.
- The Council could consider reviewing annually a short document of Internal Controls, which gives a brief overview of the measures in place to detect and prevent fraud. This would sit alongside the other risk assessments and policies which are all adequate.
- The budget should include at least one completed year, eg the 2021/22 budget should include the full year 2019/20 as well as mid-year figures and year end estimates for 2020/21.
- In addition to the regular internal checks by individual Councillors, the Council should receive a regular (suggest quarterly) report showing the financial position and spend against budget, so that all councillors are aware of the Council's finances. This should be noted in the minutes.
- The Council should set a General Reserve Policy, setting a general reserve of between three and twelve months revenue expenditure depending on the size of the Council. Guidance is available at item 5.32 of the Practitioners Guide 2020.
- The Council should review fees and charges as part of the budget setting process annually, this should be recorded in the minutes.

Observations

From the list provided it isn't clear whether all allotments were paid for, some may have crossed over financial years. I would suggest that the records presented for audit include the date and method paid, to make this easier to track.

I note that the Council received in error over £93,000 from HMRC which was promptly repaid. This has not been recorded in the cashbook as it was an error and was not due to the Council.

The Council made a donation to St Benedicts PCC of £500, noting that this was for maintaining the churchyard, the upkeep of St Benets Hall, and production of the Horning Reach. Council should note that they have powers to assist with the maintenance of a burial ground, and the production of the newsletter, but not for the upkeep of a church property.

Cheque number 2492 (£300 to Norfolk ALC) is noted as lost in the post and replaced by cheque 2521 however cheque 2492 is shown as going through the bank on 28th October, with the replacement cheque written on 30th October. The replacement cheque did not go

through the bank before the account was closed and switched to Unity, however it could still be paid out under the switching service guarantee.

I note that the Clerk is claiming £55/month Working from Home allowance and that the sum over the tax free allowance of £26/month is being taxed through PAYE.

I note that the Council has agreed to drop the Fidelity insurance from their cover, which covers the dishonest misappropriation of money or property including the bank balances. Councillors should note that in the event that a member of staff or councillor does misappropriate funds, they will not be covered and will have to recover the amount through the precept. There have been cases of employees dishonestly taking significant sums from Councils even with robust measures in place to detect fraud.

As both income and expenditure are below £25,000 this year the Council can declare itself exempt from internal audit. The documents required in the Transparency Code should be published if the Council does declare itself as exempt from external audit.

Signed:..... Date: