

June 13, 2020

## **Bickleigh Parish Council Internal Audit Report 2019/2020**

Testing was carried out using sampling where appropriate and covering a range of financial, risk and governance assessed as appropriate for a council of this size and complexity. The council has made a number of improvements in processes during the year and addressed many of the issues identified in previous audits.

The findings are reported below:

### **✓ Governance and Control**

All councils of whatever size are required to annually prepare and consider:

- A general and financial risk assessment covering the council's activities.
- A statement of internal control.
- Annually review any charges for services whether or not they are increased and record this in minutes.

Councils should ensure compliance with the new rules regarding General Data Protection Regulations (GDPR) which came into effect in May 2018.

Councils should have in place and periodically review:

- Standing orders for the conduct of council meetings are required by law and should be periodically review and changed to reflect current legislation.
- Financial regulations for the control of its financial administration are required by law and should be periodically reviewed for either changes in legislation or internal control procedure changes.
- Any Council moving away from 2 cheque signatories by Councillors and utilising online banking, should have procedures and controls in place to establish appropriate safeguards.

***Governance and control generally satisfactory, although the following issues were found:***

- ***A process is in place to agree the outstanding lease with South Hams District Council relating to the extended land utilised for the Woolwell Centre carpark. A budget has been set to prepare the legal documentation.***
- ***There is no agreement or lease in place between Bickleigh Parish Council and the Woolwell Centre Charity with regards the use of the centre, commitments by the parish council with regards maintenance and other landlord responsibilities.***

***This poses a risk to both sides and the matter needs to be resolved as a matter of urgency.***

✓ **Precept, Budgets and Reserves**

The precept was agreed to the minute setting the precept, the principal authority tax collecting authority records. The receipt was traced and agreed to bank and cash book records. The precept was set after consideration of a budget and consideration of an appropriate level of free reserves (the General Fund) which is generally accepted should lie between 3 and 12 months' expenditure.

***Satisfactory. No issues.***

✓ **Other Receipt or Income**

A sample of other receipts were tested to ensure that, as appropriate:

- That grants and interest were correctly recorded in the cash book and agreed to bank statement
- Chargeable services were correctly and promptly charged to the beneficiaries of those services and that arrangements were in place to pursue late payment

***Historical VAT for several years was reclaimed during 2019; however, VAT for 2019/20 of £8,931.88 has yet to be claimed. The council should consider more regular claims during the year, in line with HMRC guidelines.***

✓ **Staff Cost**

Testing was carried out as appropriate to ensure that:

- Rates of pay were as approved by Council.
- Additional hours worked were approved and supported by time records.
- Employees are paid in accordance with contractual obligations and on the correct pay date.
- Employees have a written statement of principal terms and conditions.
- That PAYE and NI are operated and paid promptly.

An outside agency process the payroll transactions.

***Analytical review of payments identified a significant increase in the level of salary paid by the parish council. This is partly due to the review of hours necessary to carry out the role of parish clerk and responsible officer. In addition, a number out outstanding matters needed addressing, for example unclaimed VAT. The council were provided with satisfactory supporting evidence with which to agree payments made.***

✓ **Payments including Bank**

A sample of payments were tested as appropriate to confirm:

- Payments are made in accordance with financial regulations
- Payments are supported by invoice, receipt, expense claim or other appropriate documentation.
- Grant payments are subject to a proof of need assessment, are required to be evidenced as spent for the approved purpose, and unless having the general power of competence are made within permitted powers.
- Cheque payments are promptly cleared.
- Where payments are made other than by cheque with 2 councillor signatories the council has considered and actioned the requirements of appendix 10 of Governance

and Accountability and have documented the process followed and annually review the control of wider definition "money".

**Generally satisfactory, but the council should avoid making grant commitments for future councils and all payments should be approved in the minutes.**

**The balances outstanding for Public Works Loan Board (PWLB) loans were agreed, although it was noted that the interest rates for the two loans were 5.75% and 7.75%, which results in interest payments of approximately £1,000 per year. The council should consider if this is good value for money and if repayment of the loans might be a better alternative.**

✓ **Insurance**

Insurance cover was reviewed as appropriate to confirm

- Adequate Fidelity Guarantee cover in place
- Range of cover in place has been reviewed at renewal and this has been recorded in the council minutes
- By sample test that assets other than land that appear on the Fixed Asset Register are insured or if not that there has been a decision not to cover them (for example because the excess is greater than the asset value insured).

**Satisfactory, however, the insurance is arranged through an agent and an administration charge was made in 2019/20. Before the long-term agreement expires in June 2021, the council may seek to obtain quotes direct with the insurers to avoid any on-cost.**

**It was confirmed that additional assets during the year were appropriately insured.**

✓ **Fixed Assets**

Tests were carried to confirm as appropriate

- fixed asset register is up to date
- additions have been correctly identified and a system exists for the identification of fixed assets
- that the disposal by scrapping, selling or part exchange of assets has been approved by council
- that where an insurance value has been used as the cost of an asset was unknown that the value is not increased as the insured value increases

**The asset register should be reviewed in line with the Practitioners Guide. A number of updates have already been put in place but it is recommended that in addition to the basis of valuation and acquisition date, the register should include disposals and whereabouts of deeds or licences etc. The figure used in the Annual Governance and Accountability Return (AGAR) form is correct and the figure used for the valuation of the Woolwell Centre is unchanged from last year's valuation.**

**The clerk provided information regarding arrangements put in place to mitigate difficulties for the council as a result of the Covid-19 pandemic.**

**Please refer to the audit checklist and request clarification if necessary and sent a copy of the AGAR forms once they have been signed and approved by the council.**

**Kind regards**

**Julie**