

WI2020/21 Internal Auditor's Report – Cutcombe PC Response and Action Plan

Reviewed by Finance Working Group on 27 January 2022

Internal Auditor: Tammy Weeks, Hillside Business Services

Ref	Finding	Risk Level	Recommendation for Improvement	Status	PC Response and Action
IA1	The parish council is working to out of date policies. The 'Standing Orders' and the 'Code of Conduct' have not been updated since 2012/13 and are not in line with the national guidance. The 'Financial Regulations', that the parish council is currently working to, were adopted 2012 and updated September 2019, but again these are not in line with the national model.	High	The parish council needs to update all policies without delay and ensure that they are following the latest national models as released by NALC. All policies must be reviewed annually to ensure that they are still current and relevant, and in line with the latest national models.	Completed	Financial Regulations were reviewed in 2019, taking into account the specific issues encountered when working in a relatively remote rural setting. The PC will conduct an immediate review of Standing Order (SO), Code of Conduct (CoC) and Financial Regulations (FR) using NALC model documents ready for presentation to the next Ordinary Council meeting in September 2021. Governance practice will be amended to ensure that key policies, including Standing Orders, Code of Conduct and Financial Regulations are reviewed on an annual basis. Action 1: Clerk to review SO, C of C and the FR and re-present them to the PC for adoption in September 2021. Action 2: Clerk to schedule annual reviews of key policies. Update: Action 1 – Standing Orders and Code of Conduct approved at PC meeting 19/10/2021. Financial Regulations reviewed and adopted by full Council on 16/11/21. Action 2: All necessary annual reviews scheduled to coincide with annual PC meeting.
IA2	There is no evidence that invoices have been checked for accuracy prior to payment.	Low	The Clerk should evidence accuracy checks completed prior to invoices being paid; ticking of amounts checked, initials and date.	Completed	When Cllrs approve payments, their initials on invoices have signified that the amount is correct. The PC will now ensure that the amount is also ticked and the date entered. Action 3: Clerk to ensure that invoices are initialled, dated and amounts ticked when approving payments. The minute reference and date of meeting will also be recorded (see IA3).
IA3	From a sample of 21 invoices	High	The council should ensure that	Completed	It is likely that invoices had prior authorisation e.g. payments to

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	<p>tested, I was unable to find authorisation recorded for 7 of them. Three were in relation to payments to the Rest & Be Thankful for toilet cleaning, one to the Information CO, one for legal work and two in connection with aluminium covers and security doors. Although these may have been approved at earlier meetings, there should be a clear audit trail to the authorisation of payment and/or retrospective reporting if under delegated powers.</p>		<p>all payments are appropriately authorised and reported. A 'Schedule of Known Payments' can be used for recording authorisation in advance for all payments that are known will take place during the financial year. This can include a safeguard to state that any invoice that has a variance greater than 10% must be reported and seek authorisation from the council prior to payment. For housekeeping, it would be advisable to note on the invoices the date of the meeting/minute ref at which they were approved.</p>		<p>the Rest and Be Thankful Inn would have been approved when the contract was let and in subsequent reviews. Some invoices may have been overlooked or not properly reported back during the emergency arrangements for Covid and in the unexpected absence of the Clerk in 2020. The PC has now adopted a Schedule of Payments for each meeting which presents ad hoc and scheduled payments for approval, noting the budget from which funds are to be drawn. All variances from agreed costs are investigated by the RFO prior to authorisation for payment. The accounting spreadsheet indicates the meeting at which approval was give.</p> <p>Receipts are also noted on the Schedule.</p>
IA4	<p>Generally VAT has been appropriately accounted for. However, it was noted that one invoice from the sample tested was not addressed directly to the parish council and therefore VAT was not accounted for/claimed. Although this has been actioned correctly, it should</p>	Low	<p>The council should ensure that all invoices are appropriately addressed to the council so that they are able to reclaim all VAT.</p>	Completed	<p>A second invoice superseded the first which is properly addressed to the PC, which the internal auditor did not have access to which will enable the full VAT to be reclaimed once the Clerk has received VAT training in September 2021.</p> <p>Action 4: The RFO to ensure that all invoices are appropriately addressed for VAT purposes.</p>

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	be noted that this is effectively a financial loss to the council and demonstrates the importance of ensuring that all invoices are correctly invoiced to the council.				
IA5	For larger contracts in relation to grounds maintenance and toilet cleaning, there has not been a process to obtain estimates/quotes since 2017. Therefore there is no assurance that these contracts are still competitive and providing value for money.	High	Larger contracts should be reviewed regularly to ensure that they are still competitive and are value for money. It is recommended that they are reviewed and the process of obtaining quotes/estimates is undertaken at least every two years.	Open	The PC accepts this recommendation, noting the issues around procuring suppliers in a relatively remote rural area. Advice will be sought. Action 5: The PC will ensure that all contracts are subject to regular review and reletting in line with advice from SALC. Update: Re-contracting of cleaning contract for public toilets is underway, tender currently being prepared. (PC agreed 21/12/2021 temporary extension to the existing contract.) Grass cutting contract being reviewed by the trustees of the Moorland Hall charity.
IA6	The budget does not include brought forward balances and does not list the reserves held by the Council	Med	For transparency, the budget should include b/f balances and should clearly list the reserves held by the council.	Completed	Action 6: The RFO will ensure that the budget shows brought forward balances and lists the reserves held by the Council, which will also be reported in quarterly outturns. Update: Out-turns now routinely report reserves and balances.
IA7	The Budget shows an earmarked reserve for 'Operating Balance' and upon query it was established that this is to cover approximately 1 year's operating costs for the council. However, the	High	The council's 'general reserve' should be held at the level permitted in the national guidance. Other reserves can only be held as ear marked for identified and agreed future projects. Any reserves in addition to this should be	Completed	Action 7: The PC will review its reserves position during 2022/23 budget and precept setting to determine whether further reserves should be earmarked for anticipated projects or whether the level of precept should be reduced. Update: Reserves were agreed by resolution at PC meeting 21/12/2021.

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	council also hold a 'General Reserve' which is intended for the same purpose. This means that the 'Operating Balance' is double counting what is legally allowed to be held as a general reserve.		worked down against the precept.		
IA8	The council currently do not hold and maintain a Risk Register.	High	The council needs to implement a Risk Register without delay. This should identify all possible risks a parish council may face, including; financial, employment, legal, management, health & safety, assets and compliance risks (a model document is available to aid this process). This should be reviewed and updated at least quarterly.	Open	Action 8: The Clerk is preparing a RR for consideration by full Council at its September 2021 meeting. Regular ongoing reviews will be scheduled each quarter, or more regularly if risks change materially. Update: Risk Policy was approved at the PC meeting of 21/12/2021. Risk Register delayed due to time constraints and will be reviewed by FWRG 27/1/2022 with recommendation to PC meeting of 8/2/2022.
IA9	The Asset Register also does not include details of when the assets were acquired and their location.	Med	The Asset Register should include the date assets were acquired and their locations.	Open	Action 9: The Clerk will update the Asset Register to include date of acquisition and fuller location information as part of the 2022/23 budget setting process in Q3. Update: Prepare for next FRWG (nb unlikely to be able to ascertain full information about when many existing assets were acquired).
IA10	Accounting statements appear to have only been provided once during the	Med	The parish council need to ensure that regular financial reporting is undertaken,	Completed	Action 10: A process of quarterly reporting to full Council has been established from Q1 2021/2.

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	year and do not include expenditure against budget.		including expenditure against budget. Any exceptions to budget should be identified and explanation given. Financial reports should be presented to the council at least quarterly.		
IA11	I have been unable to confirm the salary amounts paid to the Clerk have been correctly reported to the HMRC and subsequently that deductions are correct, as HMRC reports have not been routinely printed/saved during the year and the one obtained for this audit was not the correct one to show salary reported to HMRC.	High	The council should ensure that regular reports are obtained from the HMRC website, showing the amount of salary that has been reported to them, the amounts owed for tax and national insurance and due/payment dates. It is recommended that this is obtained and provided to the finance sub group for overview at least quarterly.	Open	<p>The RFO will research the report required and provide this to FWG on a quarterly basis. Whenever payments are entered on the HRMC PAYE website a calculation is created of amounts due to HMRC. Given that one outstanding payment was identified from 2020/21 the RFO will check PAYE records for the previous two financial years by the end of Q2.</p> <p>Action 11: RFO to obtain quarterly statement of sums due to HMRC and provide these to the FWG for scrutiny each quarter, with reporting to full Council by end of Q2.</p> <p>Update: Not yet actioned due to competing priorities, however RFO calculates all amounts due to HRMC each time a salary payment is made, with full Council approving the amount on the basis of the payslip generated by HMRC software. Tax issues relating to Clerk's pay are inhibiting progress.</p> <p>HMRC interrogated for full answers, but no response as yet</p>
IA12	From the report obtained for this audit, it has been identified by the Clerk that there is an amount due to HMRC for employers national insurance that has	High	In relation to the recommendation above, the council needs to ensure that it is identifying and paying all amounts due to the HMRC within payment deadlines.	Completed	See previous row. Any sums due are being calculated each month.

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	been overlooked and not paid.				
IA13	The parish council did not meet the deadlines for the Exercise of Public Rights. This was included in the external auditor report.	High	The council should ensure that it is meeting all statutory deadlines to correctly provide the exercise of public rights.	Not yet due	The disruption arising from Covid contributed to the delayed period for public inspection for 2019/20. A number of challenges mean that the PC has not met the deadline again for the 2020/21 accounts, including the changeover of Clerk / RFO and difficulties in procuring a new internal auditor. The PC is confident that it will be able to meet its requirements for the 2021/22 round of reporting. Action 12: RFO to ensure timely exercise of public rights for y/ending 31 March 2022.
IA14	The parish Council did not comply with the publication requirements for the 2019/20 AGAR.	High	The Council should ensure that it is meeting all statutory deadlines in relation to publication requirements.	Not yet due	Commentary as above. Action 13: RFO to ensure timely publication of AGAR for y/ending 31 March 2022.