

Newton Poppleford and Harpford Parish Council

Interim Internal Audit Report

Beth WEBB, F.C.A.
Internal Auditor

21st November 2017

Further to my Internal Audit report of June 2017 which was included in the Council's submission to the External Auditor as part of the statutory Annual Return process, I have been asked by the Council's Proper Officer, Paul Hayward, to undertake an interim assessment of the Council's financial and accounting processes and to review progress as per my recommendations made in that earlier report.

I met with the Proper Officer, Paul Hayward, on Monday 6th November and was provided with all the relevant files, ledgers, documents and policies that I require to carry out this interim internal audit of the Council's financial procedures.

As this report is only an interim one, I have not reported in the comprehensive depth that my annual report necessitates; instead, I have simply made observations based on the previous reports headings and sections, and commented on Council's responses to my earlier recommendations.

Conclusion:

I am pleased to advise that the council continues - in my opinion - to operate effective financial controls and that the members of the council, via the Clerk, are all aware of the council's financial position at any given moment in time and that similarly, members have ensured that the relevant rules and regulations are strictly followed, as per the published Governance and Accountability Manual, especially with regards to the council's expenditure, whereby the powers used for each purchase are clearly stated in the council's public written records ie. Minutes, Financial Regulations etc.

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A) That appropriate accounting records have been kept.

I can confirm that all payments are supported by both a signed bank authority, be that on Cheque stubs or via Online Authorisation, and signed invoices to corroborate. A sample of 10 invoices demonstrated 100% compliance.

All electronic records are now backed up weekly to both a physical hard drive (stored away from office) and to a Cloud based drive.

Accounting records are up-to-date and all bank reconciliations, budget monitors and Financial CashBooks are correct and balance across the different formats. I further note that a representative “draft” annual return figure also exists which pre-empts the year end accounting close-down procedure. Members are asked to approve each set of accounts prepared by the RFO at their monthly meetings, and opportunities are given to members to question and scrutinise every aspect of the Councils financial position.

B) That Council met its financial regulations; VAT compliance considered.

I am pleased to note that all invoices are now filed sequentially and that a method exists to corroborate every invoice with a payment reference which in turn feeds back into the cashbook for verification. RFO has created a “paid” proforma stamp which ensures compliance each time a payment is processed.

VAT claims are being submitted on a 3 monthly basis and the last receipt of £973.56 was received at the beginning of this month. Council has also undertaken a review of its VAT affairs by way of a 3rd Party Consultation (which I have seen a copy of) and I note that Council passed a resolution at its meeting of the 30th October to formally move all aspects of NPPFF income and expenditure to the Charity accounts from the beginning of the next financial year – April 2018.

RFO has shown me the NPHPC website which now publishes a precis of the Council’s financial position for the benefit of parishioners and residents. Council is not obliged under the extant legislation to do this but I am assured by the RFO that this has been unanimously agreed by Council in order to demonstrate their commitment to open and transparent local government.

C) Review of risks and internal financial control

I have seen copies of recent agendas (and minutes) for the Finance Committee and can confirm that Council is reviewing its risks and internal financial controls on a cyclical basis as suggested.

In addition, I have been provided with copies of Council’s insurance policies which confirm that my recommendation that all policies are date synchronised has been implemented, with an effective renewal date for all cover of June 2018. This will allow an element of “bulk buying power” plus ensure that renewals are a single annual matter and thus less likely to be overlooked. I am advised that a copy of the Liability Insurance Policy is available at the Clerk’s office at all times, clearly displayed.

RFO has also provided me with a copy of the current Asset Register which will require updating as new assets are taken on board and older assets are either upgraded or disposed of. As mentioned previously, this is an ongoing duty; not just an annual one.

D) Budgetary and Precept Considerations

RFO has provided me with his newly created CashBook Summary which I understand members receive each month as part of their supplemental financial papers prior to the Ordinary monthly meeting. This clearly shows all reserves held by the Council and their effect on the overall balance of Council accounts. I note that general reserves are currently standing at £47085 which is a little over 110% of precept, and there are still 5 months of this financial year to run. This is in line with NALC guidelines for council non-ringfenced reserves.

I note that both the Finance Committee and Full Council have started their deliberations to formulate a budget and precept figure for financial year 18/19 and the background papers for this have been provided to me. I must remind all members that decisions regarding final precept cannot be delegated to any committee and that the final decision must be made in public by full council with all members having access to the available papers and calculations. I understand that the agreed precept figure must be provided to the billing authority ie EDDC by end of January 2018 so I am happy that matters are proceeding towards this goal.

E) Review of Income

I note that Council now operates two bank accounts; albeit that the former account now exists simply to ensure any BACS payments received by established debtors are not returned to originator. The new bank account provides for online payments and is monitored regularly by the RFO. I trust that the future of this account will be considered by Finance Committee at some point.

RFO has provided me with a schedule of payments received and he can corroborate these to either invoices sent, or grant applications made, or remittance documents received. The Cashbook now contains a dedicated Income section and this, the separate schedule of receipts and the budget monitor all reconcile. I note that Council now requires all Grant Applications made in the name of the Council to be routed through the RFO alone which is in line with my earlier recommendations, both in terms of financial veracity and to ensure compliance with any terms and conditions of said grants.

I note that all payments into your bank accounts are now segregated and paid in separately on dedicated bank slips thus allowing each and every payment to be independently audited and reconciled to its source without difficulty.

As mentioned earlier in this report, I am pleased that Council has decided to remove all financial transactions relating to the NPPFF from its own accounts, although I accept that there will be occasions where costs overlap and an element of recharging will be required.

F) Petty Cash Payments

Council still does not operate a formal Petty Cash system but does receive cash as part of its activities; be that by way of allotment rents collected, or via gate receipts from community events. The RFO has provided me with a copy of the Councils newly adopted Cash Handling Policy which is most welcomed as this provides guidelines and structure to an area where ambiguity and misunderstandings could result in potential losses to the Council and thus the taxpayer.

G) Salaries and Wages / Superannuation

RFO provided me with copies of the last three PAYE “HMRC basic tools” submissions and I note that Council has now auto-enrolled the RFO in accordance with legislation in respect of his qualifying earnings. Copies of the NEST paperwork have been made available. I also note that financial implications of this superannuation have been factored at this early stage into 2018/19 budget considerations.

H) Asset Registers

As outlined in section C) above, I note that Councils’ asset figure was restated on the annual return for 2016/17 and fully accepted without comment / observation by the External Auditor. The re-assessment of Council’s assets in light of the decision to segregate NPPFF from NPHPC will bring clarity to this process.

I) Bank Reconciliations.

These are being completed monthly and signed off in accordance with good practice. RFO is reminded that different members must be given opportunity to review both the calculations and the original bank statements supporting them; sign-off should not be left to Chair on each occasion.

J) Accounting Statements prepared.

Nothing further to add as copies of monthly reports prepared for Council have been discussed earlier in this report.

K) Trust Funds (NPPFF).

RFO has provided me with copies of agendas and minutes for the Trustee Board of the Newton Poppleford and Playing Field Foundation (NPPFF) – Charity 300848 and a copy of the draft Governance document recently considered by the members of the Trustee Board to complement, and strengthen, the Scheme Deed which previously existed.

In light of resolutions made recently, and the clarity provided by the Charity Commission in terms of the sole management status of NPHPC rather than named individual trustees, there is little more to add other than congratulating Council on its progress towards 100% compliance with the rules laid down by the financial legislation governing the Councils activities.

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Summary:

I am delighted to observe that all of my previous recommendations (A to K inclusive) made in June's Internal Audit report have been considered, effected and implemented by Council.

I therefore am happy to provide this interim report as requested and look forward to meeting with the Proper Officer early next year to discharge my responsibilities and duties as Internal Auditor to Newton Poppleford and Harpford Parish Council

21.11.17

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