

**Internal Audit Check - Whimble Parish Council
Year Ended 31st March 2023**

1 - Records & Accounting

Commentary

1.1 - Records Maintained	Monthly reconciliations have now been finalised in anticipation of the year end and the audit processes (internal and external). It seems at one point the clerk at the time struggled with bank reconciliations from using an incorrect opening balance and further spreadsheet error. Despite the challenges with the bank reconciliation over a number of months consideration for the financials was still held within the minuted meetings. I have still opted yes for objective A as the in month receipts and payments were declared and once the error was identified there was clearly an interest in declaring what was known to be correct but not mislead while the problem was being worked on and it was resolved by the financial year end. Having discussed the issue with the interim clerk and carried out my own analysis on the records I am reasonably assured that all receipts and payments have been recognised to a reconciled bank at 31st March 2023.*
1.2 - Internal Controls	As above the failure of consistent adequate monthly bank reconciliations is an internal control error. However other fundamental controls have been maintained, sign off for payments has consistently required two sitting Cllrs and the underlying record filing, a budgetary process, updating of the fixed asset register and analysis of variances across receipts and payments have all been maintained. I understand the Parish Council intends to introduce formal accounting software and I would support this decision.
1.3 - VAT	The VAT schedule has been maintained and annual reclaim is ready to submit, prior year claim has not yet been received which is a slight concern given it has been submitted. I understand the interim clerk intends to follow up with HMRC by letter and attempt to clarify the situation. Having viewed the original submission document then I have no immediate reason to think of any problems caused by the Parish Council other than the higher value reclaim given the work on the Pump Track in the prior year. On the submission one invoice did not have a VAT number quoted.
1.4 - Payment Authorisation	Unless there is active collusion then the dual authorisation requirements on all payments underpin the integrity of appropriateness of spend and having queried one specific transaction on the year end bank statement and received an adequate answer then I have not asked further specific questions.
1.5 - Asset Register	Asset register restatement for prior year has been recognised by the interim clerk and one addition in the year of a community noticeboard has been properly accounted for. I understand the prior year restatement was caused by a transposition error from the schedule to the AGAR, an understandable human error.
1.6 - Petty Cash	No petty cash transactions to be considered.

2 - Procedures and Process

Commentary

2.1 - Governance Review	Though the accounts and AGAR were considered in the June 2022 meeting the elements signed were not minuted separately. They all come under (318/06/2022). In future the Annual Governance and Annual Accounting statements should be considered separately. As per the external audit report of 21/22 that publication for the exercise of public rights as required was not met I have selected no for objective M. Objective N has not been fulfilled as there is no public 'notice of conclusion of audit' on the website nor one supplied to me.
2.2 - Code of Conduct	All Cllrs publish their declarations of interest and acceptance on appointment.
2.3 - Website Maintenance	Review on 05/05/2023 showed historic and current financial statements (not withstanding the above), minutes, agendas and governance documents have been successfully brought over to the new website and sufficiently displayed. Only the 21/22 AGAR and external audit report has been carried onto the new website and it would be appropriate to upload as many previous years as are available.
2.4 - Review of Minutes Findings	Random check of minutes carried out; nothing unexpected discovered. Finalisation of small claims court over Footbridge evidenced a fair, reasonable and proportionate response not to proceed with a counter claim (367/10/2022).
2.5 - Regular Bank Reporting	As mentioned the receipts and payments have been declared and the minutes of January 2023 (404/01/202) have publicly recognised some of the trouble faced that has subsequently been resolved by the time of internal audit. As a result I have had to state no to objective I with the caveat that this has been resolved prior to my audit as it has not been completed consistently throughout the year. The Parish Council has met the requirements for objective J in declaring the receipts and payments for each month.
2.6 - Budgeting	Comparison of 21/22 spend to budget provided as well as reasoning and prepared budget for forthcoming year of known and expected income and expenditure.
2.7 - Banking	As per prior year internal audit the bank mandate is again out of date, I would recommend this is brought up to date with the new permanent clerk. I understand the Parish Council will be using the Victory Hall as a permanent address rather than the clerk's home address which is a reasonable plan for staff turnover.
2.8 - Payroll and PAYE / NIC	Evidence of PAYE and NIC considered in receipts and payments files and publicly declared.
2.9 - Insurance	Confirmation by email of insurance coverage secured and paid. With no significant change of activities by the Parish Council in the year then it is not unreasonable to assume a rollover of the policy is adequate.
2.10 - Risk Register	Though there is no specific risk register in place or publicly available the minutes of each meeting are comprehensive and do cover many of the risks faced in the year reactively. As a result I have selected yes for objective C.

Recommendations

- The Parish Council has a financial controls & best practice document from 2018, I would recommend a review of this document with the new processes, bank set up and a new permanent clerk in post. Staff turnover is a more general feature of current working practices and ensuring regular reviews of control documents by Cllrs and minuting this formally would emphasise the importance of the fundamental processes and controls. Linked to this I think it worth emphasising that ultimately Councillors are responsible for the records and financial statements of a Parish Council and I would remind and advise them that they are well within their rights to seek clarity and confirmation when the responsibility is delegated to a clerk.
- I support the accounting software plan as a single source of controlled record keeping. Having said that given the relatively limited number of receipts and payments per month it is perfectly possible to continue with the current excel based schedules and not commit the Parish Council to future fixed costs.
- On insurance I would only flag that any new events, assets or activities may need additional insurance or at least flagging to the insurers as part of the cover.
- I recommended as part of the audit discussions having reviewed the draft receipts and payments schedule that the legal fees related to the disputed footbridge work that ended up in a small claims court be declared as a separate line for full public disclosure as well as separation of temporary staff costs for the time of the interim clerk.
- I would recommend the introduction of a high level risk register that is reviewed annually and can be added to as risks arise over time. As noted above risks are covered in the minuted meetings but a risk register can allow for a more proactive stance.
- I would like thank Annie Dallaway for all her assistance in finalising the documents and engaging with my questions and queries, especially as an interim in post. I would suggest to the Councillors that her experience makes her a great source of knowledge in order to set up a new permanent clerk confidently into post.
- It has previously been practice for a single Cllr to sign off the monthly bank reconciliation and accompanying receipts and payments as an agenda item within the monthly minutes; in my view this is a control where regular verification to the bank statements provides confidence internally and externally. At the earliest opportunity I would recommend a form of this is specifically introduced as one Cllr with financial responsibility can act quickly to resolve any immediate problems that arise as has happened in 2022/23.

The date of first contact for this audit was 22nd March 2023 and final conversations with the interim clerk took place on 17th May 2023.

Tom Hobson
Internal Auditor - Whimble Parish Council
17th May 2023

* Please note the responsibilities of the internal and external auditors is to provide negative reassurance of the integrity to the accounts of a Parish Council, i.e. confirm that there is nothing raised that is a cause for concern and as such a balanced bank at year end satisfies this test for an authority of this size.