

**Internal Audit Report**

(to be read in conjunction with the Annual Internal Audit Report in the Annual Governance and Accountability Return)

|                           |  |                         |            |
|---------------------------|--|-------------------------|------------|
| Name of council:          | Broughton and Old Dalby Parish Council |                         |            |
| Name of Internal Auditor: | Catherine Voyce                        | Date of report:         | 09/05/2019 |
| Year ending:              | 31 March 2019                          | Date audit carried out: | 03/05/2019 |

*Internal audit is the periodic independent review of a council's internal controls resulting in an assurance report designed to improve the effectiveness and efficiency of the activities and operating procedures under the council's control. Managing the council's internal controls should be a day-to-day function of the staff and management and not left for internal audit.*

***The council is required to take appropriate action on all matters raised in reports from internal and external audit and to respond to matters brought to its attention by internal and external audit. Failure to take appropriate action may lead to a qualified audit opinion.***

**To the Chairman of the Council:**

I met with Lucy Flavin, Clerk and RFO of Broughton & Old Dalby Parish Council on Friday, 3 May 2019, to carry out the internal audit of the Council. I would like to take this opportunity to thank Lucy for her time and assistance. Lucy maintains the Council administration and processes information very efficiently in a professional and clear manner.

I carried out a detailed audit of the internal processes (using the LRALC internal audit checklist) of Broughton & Old Dalby Parish Council. This includes the Transparency Code requirements for councils with under £25K turnover.

**I wish to make the following observations which I have discussed with the Clerk:**

- A number of items required on the website were absent when I carried out my checks:
- I have recommended the use of order numbers in future when making purchases. Cheque numbers only are currently used to identify the purchase in the ledger.

- For the residing Chairman to date and sign the Financial Regulations at its review by Council.
- Asset Register 2018/19 – this has been evidenced as a paper copy. The Clerk will be uploading this to the Council website asap.
- To ensure that the Councillors Register of Interests is updated annually (as a minimum), to display each document on the Council website or to provide a link to the district council Register of Interests webpages.
- A full list of Councillors names and their responsibilities to be displayed on the Council website – although Lucy has confirmed that currently the Councillors do not have any specific responsibilities – and so this recommendation is only if the situation changes.
- To ensure that no further donations are made to individuals (£50 paid to a Scout raising money for a charity – April – June 2018 minutes).
- To restrict the donations budget to the statutory powers of the Council as the Council does not have the General Power of Competency.
- To record the precept demand in the minutes, the Clerk will ensure this is done at the May 2019 meeting.
- To upload the Asset Register to the Council website.
- Six transaction recording spot checks were evidenced in full.

### **Audit Opinion**

I have made recommendations in this report to enhance and strengthen the internal controls that exist.

- At this stage due to some of the internal control frameworks not being in place, I can give adequate assurance that the internal control framework is satisfactory, although it is clearly evident that the financial transaction information is sufficient; there are some weaknesses which put some of the client's objectives at risk.

This report is based on the evidence made available to me. It would be incorrect to view internal audit as the detailed inspection of all records and transactions of a council in order to detect error or fraud. Consequently, the report is limited to those matters set out.

Kind regards

*Catherine Voyce*

Catherine Voyce  
Internal Auditor for Broughton & Old Dalby Parish Council on behalf of LRALC

The figures submitted in the Annual Governance and Accountability Return are:

|  | Year ending<br>31 March 2018 | Year ending<br>31 March 2019 |
|--|------------------------------|------------------------------|
| 1. Balances brought forward                | 32,829                       | 35,525                       |
| 2. Annual precept                          | 22,425                       | 28,250                       |
| 3. Total other receipts                    | 8,397                        | 2,904                        |
| 4. Staff costs                             | 5,189                        | 6,105                        |
| 5. Loan interest/capital repayments        | 0                            | 0                            |
| 6. Total other payments                    | 24,937                       | 16,936                       |
| 7. Balances carried forward                | 33,525                       | 41,638                       |
| 8. Total cash and investments              | 33,525                       | 41,638                       |
| 9. Total fixed assets and long term assets | 139,710                      | 131,067                      |
| 10. Total borrowings                       | 0                            | 0                            |

The proper practices referred to in Accounts and Audit Regulations are set out in *Governance and Accountability for Smaller Authorities in England (2018)*. It is a guide to the accounting practices to be followed by local councils, and sets out the appropriate standard of financial reporting to be followed. A copy of the guide is available for free download from:

<http://www.leicestershireandrutlandalc.gov.uk/uploads/governance-and-accountability-for-smaller-authorities-in-england-2018-sections-1-5-1.pdf>

## LRALC Internal Audit Service Checklist for Year Ending 31 March 2019

|                           |   |                                   |             |
|---------------------------|---|-----------------------------------|-------------|
| <b>Name of Council</b>    | Broughton & Old Dalby Parish Council  | <b>Name of Clerk:</b>             | Lucy Flavin |
| <b>No. of councillors</b> | Six   | <b>Name of RFO (if different)</b> |             |
| <b>Quorum</b>             | Three   | <b>Precept</b>                    | £28,250     |
| <b>Electorate</b>         | Old Dalby 504<br>Queensway Old Dalby 267<br>Nether Broughton 321<br>TOTAL 1,092 | <b>Gross budgeted income</b>      | £31,239.94  |

### 1. Book Keeping

|   |     |    |   |
|---|-----|----|---|
| 1.1. Ledger maintained and up to date?  | Yes |    | The accounts are prepared using Excel spreadsheet; The accounts are up to date to the financial year-end. The sales and purchase ledgers are maintained – no purchase order numbers are issued – the cheque number is used for reference in the ledger, and email is the normal procedure to place an order |
| 1.2. Arithmetic correct?  | Yes |    |   |
| 1.3. Evidence of Internal Control?  | Yes |    | Internal Audit Annual review of Financial Regulations – although not dated and signed. Next review due on 20 May 2019. Budgetary control and monitoring - The Clerk prepares a quarterly bank reconciliation, and is planning to increase the frequency to monthly in the next financial year.              |
| 1.4. VAT evidence, recording and reclaimed?   | Yes |    | Council recover VAT annually. Last claim on 31/3/2019 was for £1,546.36 Evidenced at Internal Audit visit   |
| 1.5. Payments in ledger supported by invoices, authorised and minuted? (see schedule) | Yes |    | Transaction spot check carried out. Each month the bank statements are checked for consistency with the ledger on the Excel spreadsheet.  |
| 1.6. S137 separately recorded and within limits?                                      | Yes | No | General Power of Competence not adopted   |
| 1.7. S137 expenditure of direct benefit to electorate?                                | Yes | No | N/A   |

### 2. Due Process

|  |     |  |  |
|--|-----|--|--|
| 2.1. Standing Orders adopted since 2013?         | Yes |  | Dated 2017, next review May or June 2019   |
| 2.2. Standing Orders reviewed at annual meeting? | Yes |  | Due for review on 3/5/19 or may leave until June 2019                                  |
| 2.3. Financial Regulations adopted?              | Yes |  | Last review April 2017. Next review on 3/5/19 or June 2019                             |
| 2.4. FRs properly tailored to council?           | Yes |  | Based on NALC Model Payments received to Council to be banked within five working days |

|  |     |    |   |
|--|-----|----|---|
| 2.5. Equal Opportunities policy adopted?                                 | Yes |    | Will be adopted by Council in June 2019   |
| 2.6. Adequate internal controls for payments?                            | Yes |    | Evidenced on minutes and at Internal Audit visit.<br>Cheques signed by two Councillors.<br>BACS not used.   |
| 2.7. List of member interests held?                                      |     | No | Will be available after May election  |
| 2.8. Agendas signed, informative and displayed with 3 clear days notice? | Yes |    | All agenda's on website, evidence of three clear days notice and signed   |
| 2.9. Purchase orders raised for all expenditure?                         | Yes |    | All orders are documented on minutes and on website   |
| 2.10. Purchasing authority defined in FRs?                               | Yes |    | Clerk can spend up to £250 unauthorised in an urgent situation<br>Good value for money policy, any works over £1K require a minimum of three quotations |
| 2.11. Legal powers identified in minutes and/or cashbook?                |     | No | No General Power of Competence  |
| 2.12. Committee terms of reference exist and have been reviewed?         |     | No | No Committees   |
| 2.13. Web site exists and is regularly updated?                          | Yes |    |   |

### 3. Risk Management

|   |     |    |  |
|---|-----|----|--|
| 3.1. Does scan of minutes reveal any unusual activity?            | Yes |    | Evidence in April and June 2018 minutes of payment of £50 to an individual – a Scout raising money for charity. Also other donations to charities, which without the General Power of Competence, the Council is acting outside of its statutory powers. |
| 3.2. Annual risk assessment carried out?                          | Yes |    | A very comprehensive Financial Risk Assessment in place  |
| 3.3. Insurance cover appropriate and adequate?                    | Yes |    | £10M   |
| 3.4. Evidence of annual insurance review?                         | Yes |    | Yes  |
| 3.5. Internal financial controls documented and evidenced?        | Yes |    | Annual review of Financial Regulations – although not dated and signed. Next review due on 20 May 2019.<br>Financial Risk Assessment in place and reviewed annually<br>All expenditure is listed in the monthly minutes                                  |
| 3.6. Minutes initialled, each page identified and overall signed? |     | No | Signed on one page and all others initialled   |
| 3.7. Regular reporting and minuting of bank balance?              | Yes |    | Bank balances and reconciliations evidenced in minutes   |
| 3.8. S137 expenditure minuted?                                    | Yes | No | No GPC   |

### 4. Budget

|  |     |    |   |
|--|-----|----|---|
| 4.1. Annual budget to support precept?                 | Yes |    | A detailed budget is prepared annually for scrutiny   |
| 4.2. Has budget been discussed and adopted by council? | Yes |    | Discussed in December 2018 and adopted in January 2019  |
| 4.3. Any reserves earmarked?                           | Yes |    | Capital expenditure for new bus shelter carried over<br>Expenditure for tree survey carried over<br>Both due to unforeseen hold-ups |
| 4.4. Any unexplained variances from budget?            |     | No | Any variances clearly identified and explained  |

|  |     |    |   |
|--|-----|----|---|
| 4.5. Precept demand correctly minuted? | Yes | No | Budget minute ref 19/014c – Precept demand not minuted, but will do so in May 2019 for the record |
|--|-----|----|---|

### 5. Payroll – Clerk

|   |     |  |   |
|---|-----|--|---|
| 5.1. Contract of employment?                            | Yes |  | Reviewed each year  |
| 5.2. Tax code issued / contracted out?                  | Yes |  | No staff eligible for auto-enrolment                                      |
| 5.3. PAYE / NI evidence?                                | Yes |  | Evidenced that the Clerks salary is subject to PAYE and NI                |
| 5.4. Has council approved salary paid?                  | Yes |  | Monthly salary minuted  |
| 5.5. Other payments reasonable and approved by council? | Yes |  | minuted   |
| 5.6. Council registered with Pensions Regulator?        | Yes |  | Declaration of Compliance. Fulfil staging date, continuing not registered |
| 5.7. Pensions duties reviewed at each payroll?          |     |  |   |

### 6. Payroll – Other

|  |     |    |                    |
|--|-----|----|--------------------|
| 6.1. Contract of employment?                   |     | No | No other employees |
| 6.2. Does council have public liability cover? | Yes |    | £10M               |
| 6.3. Tax code(s) issued?                       | Yes | No |                    |
| 6.4. Minimum wage paid?                        | Yes |    |                    |
| 6.5. Complaints procedure in place?            | Yes |    | On website         |

### 7. Asset Control

|  |     |    |   |
|--|-----|----|---|
| 7.1. Does council keep a register of all material assets owned?        | Yes |    | Not on website, paper copy evidenced                              |
| 7.2. Is asset register up to date?                                     | Yes |    |   |
| 7.3. Value of individual assets included?                              | Yes |    | Replacement costs used  |
| 7.4. Inspected for risk and up to date inspection records exist        | Yes | No | Weekly playground inspections recorded<br>Annual all other assets |
| 7.5. Record of deeds, articles and land register references available? | Yes |    | Copies of all evidenced   |

### 8. Bank Reconciliations

|   |     |    |  |
|---|-----|----|--|
| 8.1. Is there a bank reconciliation for each account?         | Yes |    | Quarterly bank reconciliation – one bank account – current and deposit |
| 8.2. Reconciliation carried out on receipt of statement?      | Yes |    | Bank statement signed at each Council meeting                          |
| 8.3. Any unexplained balancing entries in any reconciliation? |     | No | All balancing entries explained  |

### 9. Year End Procedures

|  |     |    |  |
|--|-----|----|--|
| 9.1. Year end accounts prepared on correct accounting basis?             | Yes |    | Day to day and year-end accounts are prepared on an income and expenditure basis   |
| 9.2. Bank statements and ledger reconcile?                               | Yes |    | A full reconciliation of each bank statement to the corresponding account in the ledger has been prepared ready for Council approval on 20 May |
| 9.3. Underlying financial trail from records to presented accounts?      | Yes |    | A satisfactory audit trail is evident to the financial records   |
| 9.4. Where appropriate, debtors and creditors properly recorded?         | Yes |    | N/A  |
| 9.5. Has council agreed, signed and minuted sections 1 & 2 of the annual | Yes | No | At Annual Meeting 20 May 2019  |

|         |  |  |  |
|---------|--|--|--|
| return? |  |  |  |
|---------|--|--|--|

| <b>10. Cemeteries – NO CEMETERY</b>                                  |     |    |  |
|--|-----|----|--|
| 10.1. Cemetery Regulations adopted and up to date?                   | Yes | No |  |
| 10.2. Registers of burials and purchased graves completed correctly? | Yes | No |  |
| 10.3. Burial certificates being issued correctly?                    | Yes | No |  |
| 10.4. Green Slips returned appropriately to Registrar?               | Yes | No |  |
| 10.5. Cemetery burial plan up to date and backed-up?                 | Yes | No |  |

| <b>11. Transparency Code (mandatory for councils under £25k turnover)</b> |     |    |  |
|---|-----|----|--|
| 11.1. All items of expenditure above £100 published by 1 July?            | Yes |    | Monthly meeting and minutes                                      |
| 11.2. End of year accounts published by 1 July?                           | Yes |    | At Annual Meeting on 20 May 2019                                 |
| 11.3. Annual Governance Statement published by 1 July?                    | Yes | No | As above   |
| 11.4. Internal Audit Report published by 1 July?                          | Yes | No | As above   |
| 11.5. Councillor responsibilities published by 1 July?                    |     | No | Council does not allocate individual Councillor responsibilities |
| 11.6. Asset register published by 1 July?                                 | Yes | No | At Annual Meeting 20 May 2019                                    |
| 11.7. Agendas and meeting papers published with three clear days?         | Yes |    | Evidenced on website   |
| 11.8. (Draft) Minutes published within one month of the meeting?          | Yes |    |  |

| <b>12. Miscellaneous</b>   |     |    |   |
|--|-----|----|---|
| 12.1. Evidence that internal & external audit reports received & actioned? | Yes |    | On website – no advisories                |
| 12.2. Is eligibility for General Power of Competence properly evidenced?   | Yes | No | N/A                                       |
| 12.3. Are all electronic files backed up?                                  | Yes |    | External hard drive                       |
| 12.4. Do arrangements for public inspection of council's records exist?    | Yes |    | Guidelines for public inspection followed |

| <b>Transaction Spot Check – six transactions spot checked and verified</b> |   |   |   |   |   |   |
|--|---|---|---|---|---|---|
| Check No.  | 1 | 2 | 3 | 4 | 5 | 6 |
| Ledger date  |   |   |   |   |   |   |
| Item / Budget heading  |   |   |   |   |   |   |
| Ref/cheque no.   |   |   |   |   |   |   |
| Order minute ref   |   |   |   |   |   |   |
| Delivery evidence  |   |   |   |   |   |   |
| Payment minute ref   |   |   |   |   |   |   |
| Invoice value  |   |   |   |   |   |   |
| Minute value   |   |   |   |   |   |   |
| Cheque value   |   |   |   |   |   |   |
| Statement value  |   |   |   |   |   |   |
| Timely payment   |   |   |   |   |   |   |
| VAT recorded   |   |   |   |   |   |   |
| S137 recorded in ledger  |   |   |   |   |   |   |
| S137 minuted   |   |   |   |   |   |   |

|       |  |  |  |  |  |  |
|-------|--|--|--|--|--|--|
| Notes |  |  |  |  |  |  |
|-------|--|--|--|--|--|--|

### Annual Return

|  | Year ending<br>31 March 2018 | Year ending<br>31 March 2019 |
|--|------------------------------|------------------------------|
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| 4. Staff costs                             | 5,189                        | 6,105                        |
| 5. Loan interest/capital repayments        | 0.00                         | 0.00                         |
| 6. Total other payments                    | 24,937                       | 16,936                       |
| 7. Balances carried forward                | 33,525                       | 41,638                       |
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| 9. Total fixed assets and long term assets | 139,710                      | 131,067                      |
| 10. Total borrowings                       | 0.00                         | 0.00                         |

|                                    |                        |                 |
|------------------------------------|------------------------|-----------------|
| Internal audit carried out by      | <i>Catherine Voyce</i> | Catherine Voyce |
| Audit type (delete as appropriate) |                        | Annual          |
| Date                               | 02/05/2019             |                 |

|   |     |
|---|-----|
| For auditor's use only                            |     |
| Annual Internal Audit Report completed and signed | Yes |
| Report/letter sent to council                     | Yes |
| Copy of internal auditor's report sent to LRALC   | Yes |