

**WARNHAM PARISH COUNCIL**  
**INTERNAL AUDIT REPORT 2017-2018**

I visited the Council office at the Clerk's home on 30<sup>th</sup> November 2017 to carry out an interim Internal Audit. A further visit was made on 16<sup>th</sup> May 2018 to complete the audit and to check the Annual Return.

This report follows the headings from Section 4 of the Annual return.

Recommendations and items requiring attention are shown in **bold and underlined**. Any comments received from Council in relation to the Interim Report are included in italics.

**A. Books of Account**

The Council's accounts are now maintained on a Quickbooks system although Clerk still maintains the original Excel spreadsheet for 2017-2018 to check continuity between the systems. Appropriate headings for various categories of expenditure are maintained. Entries are made monthly, and are balanced and reconciled with Bank Current Account monthly.

Budget headings have been reviewed, and are more realistic, (as recommended last year) at time of setting 2017/2018 budget.

VAT is reclaimed every six months, with the last reclaim at 31/8/2017.

**5/18 - In that Quickbooks is not specifically designed for Local Councils, it is recommended that Council investigate use of a specialist system, such as RBS Alpha.**

**B. Financial Regulations**

Standing Orders and Financial Regulations based on latest NALC models have been adopted in September 2016, and will be reviewed and re-adopted every 2 years as appropriate.

Payment procedures are satisfactory regarding placing of orders and invoice checking, and Clerk's initials indicating approval for payment are now being added to invoices.

However, orders for payment are unusual in that Clerk alone signs cheques up to £500, and Clerk and a Member sign cheques for items over £500. Clerk alone authorises on-line payments, and it would be appropriate for a system with Lloyds Bank to be investigated whereby 2 Members of Council release on-line payments before they are made. **If that is not possible, 2 Members of Council should sign the list of on-line payments to authorise release.**

*WPC 5/18: - One Member now initials release. Further investigations as to how a 2 Member release system may be used continue.*

**For payments under £500, - if the current procedure is to continue, it should be the subject of a separate risk assessment.**

*WPC 5/18: Council confirms this system is acceptable.*

**The 2016-2017 Internal Audit Report, and the ensuing External Audit Report are not minuted as having been considered by Members.**

WPC 5/18: The Internal Audit Report was considered, but the External Audit Report received 9/17 was not specifically minuted.

**There is no definitive cross check at present from the list of payments authorised by Council to the Bank statement. Anomalies would eventually be picked up in the reconciliation process, but a simultaneous check would be sensible.**

### C. Risk Management

**An updated Risk Management review based on current risk assessments for all Council sites, including Clerk's home, and for Financial risks has been prepared and will be considered at Council meeting on 5/12/2017.**

*WPC 5/18: Adopted 12/17. The annual village inspection is due 6/18.*

Inspections of sites are carried out either by contractors, or by Council staff and/or Members. In the latter case, written records of inspections are gradually being introduced, **but some further work is required on this matter to ensure records are available for production to insurers in case of need.**

*WPC 5/18: In hand. The role of the Environment Officer will be extended to include inspections of benches, bus shelters and litter bins.*

Insurance cover was renewed in October 2015 for a three-year term with Hiscox. A review including asset cover will be made in October 2018.

Contractors' public liability insurance is checked at inception of contract, but not subsequently. This has been diarised for annual checking.

**Schedules of payments which form part of Minutes of meetings are not always initialled.**

*WPC 5/18: This is now being done.*

**A risk assessment in respect of Environment Officer's use of his own vehicle and Council trailer should be included.**

### D. Budget & Precept

The preliminary budget process for 2018/2019 was carried out in accordance with recommendations, and as a result a revised precept and use of reserves will be considered at Council on 5/12/2017. The new software package has facilitated the

correct process, with relevant budget headings and proper consideration of projected expenditure and use of reserves.

**A forward projection for 3-4 years is the next step in the process to consider in conjunction with Council's business plan.**

#### **E. Income**

There is little income other than precept, other than grants and interest.

#### **F. Petty Cash**

There is no formal petty cash system. Occasional expenditure by Clerk, Environment Officer, & Members is reimbursed, but items are not always cost code allocated nor is VAT always accounted for. **Clerk is to monitor for future.**

*WPC 5/18: This is now being done.*

#### **G. Payroll**

Payroll is carried out in house for two staff using HMRC package. Clerk is paid on a defined SCP from the NALC scale. However, the increments from the 2016-2017 salary awards agreed between NALC and SLCC have not been implemented. The Clerk's contract refers to an annual review which is due on 1/12/2017. **These matters should be addressed. Investigations as to benefits of an external payroll provider are being considered. At this time, (June 2018) Clerk's contracted hours should be considered in comparison with similar Councils.**

*WPC 5/18: An appraisal will be carried out in 6/18 to consider hours and pay.*

The Environment officer is paid on an hourly rate.

Staff and member mileage expenses are paid at the correct rate.

Council has not adopted the Allowances scheme.

Pension arrangements for the Clerk have been implemented.

#### **H. Assets and Investments**

**As recommended last year -An Asset Register based on the SLCC website example should be drawn up to include all assets above an agreed amount. The model register should be expanded to include insured value, with columns for disposal date and amount. Members may also wish to include provision for an occasional physical check of assets, particularly portable items.**

*WPC 5/18: An asset register has now been drawn up and is currently being checked for accuracy.*

**The matter of the investment held for the Village Hall needs clarification as to ownership.**

**A cross check against insurance schedules should take place at the time of insurance renewal 10/18.**

### **I. Bank Reconciliations**

Reconciliations are carried out monthly and are checked quarterly by Members. As recommended, the procedure now includes a cross-check to Cashbook, and initialling of bank statement.

**No bank statement was available for the Virgin account at 31/3/17, and a statement should be obtained at least quarterly so it can be included with bank reconciliations.**

*WPC 5/18: Confirmation of balance at 31/3/18 obtained.*

### **J. Accounting Statements**

End of year accounts have been prepared on a Receipts and Payments basis, and figures have been extracted correctly from the accounting records.

### **K. Trusteeship**

Council owns the Village Hall site, as Custodian Trustee. Separate Management Trustees administer the Hall.

### **Other Matters**

Council is registered for data Protection purposes.

Freedom of Information policy dates from 2008 and **should be reviewed and updated. (Outstanding from last year)**

WPC 5/18: in course of preparation

**Other policies such as Health and Safety, Retention of Documents, Community Engagement, etc. should be considered. (Outstanding from last year.)**

*WPC 5/18 : still outstanding, but a Key Dates schedule will be completed shortly.*

Paul Hartley

Internal Auditor  
16<sup>th</sup> May 2018