



FINAL

Internal audit report 2018/19

Visit 1 of 1

# MILTON ABBAS PARISH COUNCIL

Date: 27<sup>th</sup> July 2019

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## Introduction

This report contains a note of the audit recommendations made to Milton Abbas Parish Council following the carrying out of internal audit testing on the 24<sup>th</sup> June 2019.

The audit work has been carried out in accordance with Appendix 9 of the 2014 'Governance and Accountability for Local Councils: A Practitioners' Guide', as supplemented by the additional testing set out in the AIAR of the AGAR 2018/19.

An internal audit covers the review of the operation of the Council's internal control environment. It is not designed to review and give full assurance over every transaction carried out by the Council. Instead it enables the auditor, following the sample testing of a number of different types of transaction, to give an opinion as to whether or not the control objectives are being achieved across a range of financial and governance systems.

## Audit Opinion

The internal audit for 2018/19 has now been completed in accordance with the provisions of the Practitioners' Guide and the CIPFA code of internal audit practice.

Many of the Council's current financial controls are operating effectively. However, following the completion of the testing to date I consider that there is one area of weakness which are sufficiently material to warrant a "no" answer in the Annual Internal Audit Report section on the Annual Return. The report is therefore satisfactory with the exception of the following item:

### C: Risk Management Arrangements

- Whilst the Council informally reviewed risks relating to assets during its budget setting process, the Council did not carry out a full risk assessment in the year. The Accounts and Audit Regulations 2015 (s.6) require that the council must carry out a review of the effectiveness of the system of internal control each financial year, and that the findings of the review must be considered by members of the authority meeting as a whole. This review must include the review of risk management arrangements (s.3).

## Audit Recommendations

Recommendations made during the audit are shown on in appendix one to this report. Recommendations are graded as follows:

<b>Rating</b>	<b>Significance</b>
High	Either a critical business risk is not being adequately addressed or there is substantial non-conformity with regulations and accepted standards.
Medium	Either a key business risk is not being adequately addressed or there is a degree of non-conformity with regulations and accepted standards.
Low	Either minor non-conformity with procedure or opportunity to improve working practices further.

The number of recommendations made at this audit visit and their priority are summarised in the following table:

<b>Rating</b>	<b>Number</b>
High	2
Medium	7
Low	2
Information	0
TOTAL	11

I would like to thank Elizabeth Sellen, Parish Clerk, for her assistance during this audit.

**Darkin Miller Chartered Accountants**  
**2018/19 INTERNAL AUDIT OF MILTON ABBAS PARISH COUNCIL**  
**FINAL REPORT: 27<sup>th</sup> JULY 2019**

**Appendix 1 – Recommendations and Action Plan**

Recommendation number	Detail	Priority (Low/Medium/High)	Management Response	Responsible Officer	Due Date
2.1 – Authorisation of invoices by Clerk	<p>I checked to see that a sample of payments were supported by invoices, authorised (signed/initialled by the Clerk to confirm that they are accurate and relate to goods/services received) and minuted for approval. I found that all samples were supported by invoices or other paperwork, and all were minuted, but that none were authorised. Note that all invoices had been initialled by the Members who checked the invoices.</p> <p>I recommend that invoices are signed/initialled by the Clerk to confirm that they have been cleared for payment, before they are approved by the Council and payment is made.</p>	M	It had previously been understood by Councillors that since the cheque books are held by the clerk and cheques are written by the clerk, any invoices presented for payment at the meeting have been properly authorised and agreed by the clerk prior to production of the cheques. From the 30 <sup>th</sup> June, all invoices presented for payment will be signed by the clerk to indicate that they are accurate and that goods/services have been received.	<p>The Clerk to sign all invoices prior to presentation for payment.</p> <p>The signatories (authorised Councillors) will not sign cheques unless the invoice has been signed by the Clerk.</p>	<b>30/06/2019</b>
2.2 – Use of self-certified expense claims	I found that one payment, relating to the reimbursement of an expense incurred by a Member and relating to genuine Council business, was repaid on invoice only. I found that the Clerk reclaims expenditure based on an	M	The reimbursement selected was an isolated incident. Councillors usually present expenses for reimbursement with a summary cover sheet, however there was to date no call to sign to indicate	The Clerk to amend and recirculate the claim form.	<b>30/06/2019</b>

	<p>expense claim, with all receipts provided, but that the current format of the claim does not allow for the Clerk to self-certify.</p> <p>It is good practice for all reimbursements of expenditure incurred by staff or members to be made on receipt of a signed expense claim, supported by receipts. The claim should allow space for the claimant to sign and date (to self-certify that the amount claimed is correct, and that the claim relates to the provision of goods/services relating to genuine Council business), and for an approver to sign and date (to confirm that they have checked the claim).</p> <p>I recommend that the expense claim format is amended, and that all reimbursements of expenditure are made using a claim form in future.</p>		<p>that the expenditure was correctly totalled and relating to genuine Council business. The Councillors expenses claim form has been amended to allow for Councillors to sign and date their claim and has been recirculated to all Councillors by email. Expenses will be reimbursed only on production of a signed Expenses Claim with effect from 30<sup>th</sup> June 2019.</p>	<p>Councillors to complete and sign an expenses reimbursement claim and present to the Clerk for payment prior to the meeting.</p>	
3.1 – Minutes amendment	<p>The minutes of the Council meeting of 17/09/18 were due to be approved at the next meeting of 15/10/18. Minute 4 of 15/10/18 notes the approval of the meeting held 'on 2018'.</p> <p>I recommend that the minute is</p>	L	<p>Minutes identified were an administrative error on the part of the Clerk, minutes usually state which minutes were approved.</p> <p>Minutes to be reprinted with omission corrected for</p>	<p>Clerk to reproduce minutes for meeting on 15/10/2018 with omission corrected.</p>	<p><b>30/09/2019 latest</b></p>

	amended in order to ensure that the Council has a formally approved record of all of its business and decisions.		authorisation at the meeting in September 2019.	Councillors to agree minutes at September meeting.	
3.2 – Risk register	<p>The Council is required to carry out a risk assessment annually (Accounts and Audit Regulations 2015. The regulations require that the council meeting as a whole has to review their system of internal control including risk management.</p> <p>Whilst the Council reviews the asset register and considers the issues relating to each asset annually at budget-setting time (with amendments to the budget made as necessary), the Council did not carry out a full consideration of the wider business and financial risks in 2018/19. There is a danger that a failure to adequately review and assess the risks facing the Council will result in additional costs and a failure to achieve the Council's corporate objectives.</p> <p>It is recommended that the Council carries out a full risk assessment, that the review is formally minuted as per the A&amp;A 2015, and that risk</p>	H	<p>It was agreed that risk management has been an informal and unminuted process to date.</p> <p>Councillors will review the proforma Risk Register from the “Practitioners Guide 2019” and active Risk Registers from various Parish Councils prior to forming a Risk Register for Milton Abbas Parish Council to be reviewed annually as part of the budget setting process from November to January each year, to be minuted to confirm it has been carried out.</p>	Draft Risk Register to be drawn up by Cllr Mr Nigel Hodder with the support of the Clerk and presented to full Council for consideration and approval by the next budget cycle in November 2019.	<b>30/11/2019</b>

	management is added to the programme of reports that are considered annually by members.				
3.3 – Cover for Clerk	<p>The Council has considered arrangements to provide continuity in the event of the Clerk's unexpected absence, but nothing has yet been finalised. There is a risk that, in the event of such an absence, essential functions of the council (such as the payment of creditors, processing of payroll, proper administration of meetings, and collection of income) would not be carried out on time.</p> <p>I recommend that the Council either seeks a formal arrangement (perhaps with a neighbouring council), confirms that it will use a qualified locum, or that Member(s) are trained on key processes. I also recommend that the key processes are documented so that there is guidance to follow. This will ensure that the Council can continue to operate in the event of the Clerk's unexpected absence.</p>	M	The Clerk will identify three local Clerks who are willing to supply emergency cover if required and circulate contact details to the Chair and Vice-Chair for action if required.	The Clerk	<b>30/09/2019</b>
4.1 – Quarterly budget monitoring	I checked to see that actual expenditure is regularly reported to the Council. The Clerk advised that budget monitoring is required twice annually	M	It was agreed by Councillors that spreadsheet income and expenditure reports are circulated almost every month with the	The Clerk to circulate reports with agendas.	<b>With effect from 30/06/2019</b>

	<p>per the Council's Financial Regulations, but is frequently sent with the agenda. The Clerk also noted that any expenditure likely to exceed budgetary provision is discussed with Members so that the source of the additional payment can be agreed prior to confirming the expenditure. Action points are noted.</p> <p>Ideally budget monitoring reports should be received quarterly for a smaller Council; and their receipt, and any actions arising from the Council's review of performance, documented in the minutes. This will both ensure a regular review takes place, and that the Council can prove the operation of a key financial control.</p> <p>I recommend that the Council receives a budget monitoring report quarterly, and that the report's receipt and any actions are minuted.</p>		<p>agendas and include a pro-rata budget monitoring calculation however this is not formally acknowledged and minuted.</p> <p>Receipt of the monthly monitoring spreadsheet to be minuted each meeting and acknowledgement of consideration of action required to be minuted at least quarterly.</p>	<p>The Clerk to minute Cllrs receipt of monthly spreadsheets.</p> <p>The Clerk to minute Cllrs responses to consideration of the budget.</p>	
5.1 – Nationwide bank book update	I checked to see that all income due to the Council had been collected. I found that the Nationwide bank book had not been updated since June 2018, and that the balance recorded in the cashbook and on the year end bank reconciliation	L	Councillors acknowledged that the complications of reconciling the balances on the relatively inactive account are out of scale with the amendments required to reflect annual interest.	<p>Clerk to obtain annual balances.</p> <p>Councillors to review the</p>	By 31/03/2020



	<p>does not include £0.58 of bank interest paid on 30/06/18. Based on the previous year's accounts (in which two receipts of £0.58 were recorded), it is possible that bank interest and the balance at bank are understated by £1.16.</p> <p>I recommend that the bank book is updated at least once a year (as at 31 March), in order that all bank interest due can be recorded in the accounts, and to ensure that the balance shown in the Council's accounts is correct.</p>		<p>In line with financial regulations, the Clerk will obtain at least one annual update as part of the year end procedure.</p> <p>Councillors will review the purpose of the Nationwide account and whether it serves it's purpose as part of the annual Risk Register review.</p>	effectiveness of the Nationwide account.	
7.1 – Consider amended contract of employment	<p>I checked to see that a contract is in place for all staff. I found that a signed contract is in place for the Clerk, with clear terms and conditions, but that the contract of employment does not include the wider terms contained within the model Clerk's contract of employment. I also found that the Clerk's contract notes the starting spinal point, and that, 'Subject to satisfactory performance, salary will be increased by one spinal point per year of service'. Ordinarily, the contract would name a range of spinal column points relevant to the post (currently the wording suggests the range is</p>	M	<p>The existing contract and the NALC template contract have been circulated to Cllrs by email along with the latest NJC rates as published on the DAPTC website.</p> <p>Cllrs have discussed why the NALC template has not yet been adopted and identified two specific criteria that should be added to reflect duties specific to Milton Abbas Parish Council.</p> <p>Cllrs agreed that the NALC template should be personalised and circulated by email to be</p>	Cllr Mr Rowan Woodhouse	30/09/2019

	<p>unlimited).</p> <p>I recommend that the Council considers the use of the model Clerk's contract of employment, and the specification of the range of spinal points appropriate to the complexity of work undertaken by the Clerk.</p>		<p>agreed at the next ordinary meeting and signed by Chair and Clerk to take immediate effect.</p>		
7.2 – National pay award	<p>I checked to see that the salary paid agreed with that approved by Council. The Council has since agreed one spinal point increase, but the amount paid currently reflects the 2017/18 salary for that salary point (so the nationally agreed pay award has not been paid for 2018/19).</p> <p>I recommend that the Council clarifies whether the nationally agreed pay award increases apply to this employment.</p>	M	<p>Cllrs sought clarification of the NJC pay rates system and will agree whether annual pay awards should apply within the process of agreeing the updated contract of employment.</p>	<p>Cllr Mr Rowan Woodhouse</p>	<p>30/09/2019</p>
7.3 – Play park overtime	<p>The Clerk is currently being paid overtime in relation to work for the Play Park Committee. Whilst the payment of overtime has been formally agreed (in the minutes of July 2016), the amount to be paid each month was not formally agreed by Council. Note that the Clerk's salary payments are approved each month, so overtime is</p>	M	<p>It was noted that overtime in relation to the Play Park Committee and various other Parish Council activities fluctuates monthly.</p> <p>The Clerk to keep a regular diary of contract and overtime hours related to Parish Council activities</p>	<p>Clerk to obtain Full Council approval of overtime hours</p>	<p>31/01/2020 and annually thereafter</p>

	<p>effectively retrospectively approved at that point.</p> <p>If the amount of overtime is not formally agreed in advance, there is a risk that an excessive amount of overtime could be worked and claimed.</p> <p>I recommend that the amount of overtime in place for the Play Park Committee is formally noted, in order to ensure that the amount claimed and paid has been approved by Council.</p>		and reviewed by Councillors as part of the budget process at least annually.		
10.1 – Unadjusted errors	<p>The following errors were not adjusted in the annual return:</p> <ol style="list-style-type: none"> <li>1. The Council has accounted for transfers to and from the play park bank account as additional income and expenditure. This means that other income and other payments are overstated by £1k for 2018/19 (£940 2017/18). There is £nil impact on the net reserves.</li> <li>2. The Council has not attributed any value to 10 assets noted in the fixed asset register. The Practitioner's Guide requires that all assets are given a value, with community/</li> </ol>	H	<p>It had been previously agreed to retain the totals reported for the year and to restate totals prior to audit 2019/2020</p> <p>Asset Register to be updated with immediate effect</p>	<p>Clerk to ensure totals are restated as part of 2019/2020 audit process</p> <p>Clerk</p>	<p>31/03/2020</p> <p>30/06/2019</p>

	<p>donated assets being valued at £1 nominal (if not shown at cost).</p> <p>3. Bank, other income, and the reserves are understated by £1.16 of bank interest relating to the Nationwide account (the balance of which is held in a bank book that has to be manually updated, and which was not updated prior to the year-end).</p> <p>I recommend that all bank accounts are updated to 31 March prior to the accounts being prepared each year, and that the accounting treatment is corrected for the 2019/20 annual return, with restatements made to the 2018/19 as necessary.</p>		<p>Clerk to obtain updated totals for accounts and reflect within agendas, minutes and income and expenditure reports with immediate effect</p>	<p>Clerk</p>	<p>30/06/2019</p>
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