

Final audit report & Risk assessment of financial systems' internal controls for Copythorne Parish Council 2019/2020
prepared by the Internal Auditor and Parish Clerk/RFO on 07 June 2019

No.	Internal Control Tests	Findings
1	Proper Bookkeeping	
1.1	Is the Cash Book maintained and up to date? Format used?	The Cash Book is maintained on an Excel Spreadsheet format and includes budget information incorporating all accounts held which is up to date and accurate. It was prepared up to 31 st March 2019.
1.2	Is the Cash Book arithmetically correct?	The Cash Book is analysed into Budget head codes for both receipts and payments and these were arithmetically correct.
1.3	Is the Cash Book regularly balanced?	The Cash Book continues to be balanced monthly by Parish Clerk/RFO and confirmed by full Bank Reconciliations. The Chairman signs and dates these Reconciliations on a quarterly basis to confirm they are accurate, and a monitoring role is undertaken.
2a	Standing Orders and Financial Regulations	
2.1	Has the Council formally adopted Standing Orders and Financial Regulations, & dates approved?	The Parish Clerk has reviewed the Financial Regulations used by the Parish Council and they now follow the model Financial Regulations set out in October 2016 guidance produced by National Association of Local Councils (NALC). These were readopted by the Parish Council at their meeting on the 08 May 2018. Standing Orders have been reviewed and adopted at the Parish Council meeting on the 08 January 2019 (Minute ref: 163)
2.2	Has an RFO been appointed with specific duties noted in both contract & Fin./Regs?	The Parish Clerk is the Responsible Finance Officer (RFO) and the duties are detailed in both her Contract of Employment and Financial Regulations.
2.3	Have items or services above a de minimis amount been competitively purchased?	The Parish Clerk has a £150 power for emergency needs. Where possible the Parish Clerk will obtain three quotes from Suppliers/Contractors for items over £500 and below £5000. Where the value is below £500 the Parish Clerk will strive to obtain three value for money estimates. A £25,000 level applies for obtaining three tenders for project work as set out in the Regulations (Public Contracts Directive 2014/24/EU).

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2b	Payments Controls	
2.4	Are payments in the Cash Book supported by invoices, authorised and minuted?	Proper invoices support all payments, and will be processed by either Electronic Payment, BACS payment or by cheque showing the processing details or cheque number and date paid. Monthly payment schedules are prepared by the Parish Clerk for the Parish Council meeting. This is approved by the Chair of the meeting and one other Councillor and details will be noted or appended to the minutes for the meeting and updated on the Parish Council website. Currently 6 Councillors out of 7 Councillors are mandated to sign cheques and can approve on-line payments.
2.5	Has VAT on payments been checked, recorded and reclaimed? Frequency, & refunds into which A/c?	A VAT claim has been submitted to HMRC for reimbursement received on the 16 April 2018 for £327.84 to cover the 2016/2017 financial year. Reimbursements for 2017/2018 and 2018/2019 totalling £1386.44 will be submitted to HMRC in June 2019. Recommendation: We recommended that VAT reimbursement claims should be submitted to HMRC at 6 monthly intervals in future. Proper VAT invoices are provided, when relevant, with VAT checked and entered in VAT column in Cash Book.
2.6	Is S.137 expenditure separately recorded & in limit?	The total sum of £750.00 for Section 137 payments were made in 2018/2019, and this remains within the permitted limits for the Parish Council. The amount allowed per parishioner for 2018/19 is £7.82.
3	Risk Management Arrangements	
3.1	Does a scan of the minutes identify any unusual financial activity, projects, events etc.?	Although there are no major Assets held by the Parish Council, a Financial Risk Register is completed by a designated Councillor to record any inspections carried out by the Parish Council. Financial Risk Assessment information is recorded in the Minutes of the Parish Council.
3.2	Do the Minutes record the Council carrying out any annual risk assessments? Play areas/BMX/skateparks regularity of checks & documentation?	The Parish Council are currently responsible for a Play Area.

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3.3	Is insurance cover appropriate and adequate? Policy nos. & broker/company? Fidelity Guarantee cover level correct?	Standard local council policy held with AXA/Inspire policy no RGBDX6962034 from 8 June 2018 to 9 June 2019. Employers and Public Liability both £10m and Fidelity Guarantee cover showing £150,000.
3.4	Are internal financial controls documented and reviewed regularly?	This initial risk assessment for financial systems' internal controls was prepared in 2016/17 and is updated annually.
4	Governance	
4.1	Has the Parish Council taken steps to ensure the implementation of the General Data Protection Regulation (GDPR)	The Parish Council have taken steps to ensure that the implementation of GDPR has been embedded in the practice of the Parish Council. A transparency drop down tab is held on the website to clearly shown that the Parish Council are compliant with the requirements of the regulations once the individual email addresses for Councillors are dedicated to the Parish Council and ending in .org or.gov.uk Audit Note: We understand that the Parish Council Chairman is currently pursuing the requirement and it will be implemented during 2019/2020 Recommendation: We continue to recommend that the Parish Council should implement Individual email addresses for Councillors dedicated to the Parish Council and ending in org.uk.to ensure that they comply with the GDPR regulations.
4a	Budgetary Controls	
4.2	Has the Council prepared an annual budget in support of its precept? Council Minute & date?	The Parish Clerk prepares the draft budget for the Parish Council each November which is ratified and minuted each December. New Forest District Council is then notified of precept requirements by end of January. The Council approved 2019/20 precept as £20,924.00 at their meeting on the 11 December 2018 (Minute reference 144a).
4.3	Is actual expenditure against the budget regularly reported to the Council & minuted?	The Parish Clerk has introduced a quarterly report to be taken to the Parish Council for information and appropriate action is taken by the Parish Council if required. Any action taken will be minuted by the Parish Council.
4.4	Are there any significant and unexplained variances on budget?	The Parish Clerk will report significant variations to the Parish Council of large variations. Any action required will be approved by the Parish Council.

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5	Income Controls	
5.1	Is income properly recorded and promptly banked?	Income sources received from Grants payments, Lengthsman scheme, VAT refunds and Precept payments. The Parish Clerk will use the automatic deposit system at Lloyds bank to pay into the bank income received by the Parish Council. A receipt of the deposit slip is held by the Parish Clerk.
5.2	Does the precept recorded in the Cash Book agree to the DC's notification?	Yes. Precept received in April 2018 and September 2018 (two instalments) and paid direct into Lloyds Current Account No 4xxxxx60.
5.3	Are security controls over cash adequate and effective?	Very infrequent cash received.
6	Payroll Controls	
6.1	Do staff salaries/wages paid agree with those approved by the Council & what is review frequency?	The payroll provision is now outsourced to Easy Accountants where sufficient payroll information or documentation to ensure PAYE and National Insurance and Pension Contributions are calculated correctly and submitted to HMRC on a regular basis. The Parish Clerk has been employed by the Parish Council since 1 April 2019 and is employed for 15 hours per week. The Parish Clerk is currently paid pro rata on a set pay point.
6.2	Are other expenses to the Clerk/staff reasonable and approved by the Council?	The claiming for the car mileage rate is set at £0.45p per mile as per HMRC rates. Car mileage is paid to Parish Clerk when appropriate and administrative expenses are paid for Parish Council administration whilst working from home. Expenses are listed on payment schedule for approval for the Parish Council meetings.
6.3	Have PAYE/NIC/ Pensions been properly operated by Council as an employer? Payment frequencies/method?	Payment of PAYE and National Insurance Contributions are to be paid on a monthly basis. Currently the Parish Clerk is not a member of a dedicated Pension Scheme.
7	Assets Controls	
7.1	Does Council keep an Asset Register of all assets owned incl. serial nos.? Annual physical check noted?	A list of the Assets for the Parish Council is recorded on an Excel Spreadsheet. This shows the location, serial number and date purchased should be added to

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		the assets register where appropriate. The insured value of assets is now recorded in a separate column to enable proper reconsideration during the annual Insurance cover, renewal process.
7.2	Are the Asset/Investments registers up to date, incl. disposals? Note all Investments held with a/c nos.	Yes, the Asset Register shows all the current asset items and was up to date as at March 2019.
7.3	Do asset insurance valuations agree with those in the asset register?	Yes.
8	Bank Reconciliation	
8.1	Is there a Bank reconciliation for each account held? Note each A/c with bank/branch & a/c no. If relevant, review Money Market transfers & documentation.	Yes, Lloyds Bank Current Account No 4xxxxx60 and Lloyds Bank Saving Account No 5xxxxx68.
8.2	Are Bank reconciliations carried out on receipt of statements & with what frequency?	All bank accounts are reconciled monthly. The Chairman of the Parish Council will sign off the bank reconciliations on a quarterly basis.
8.3	Are there any unexplained balancing entries in any reconciliation?	No, all entries were recorded correctly in the Cash Book.
9	Year-end Procedures	
9.1	Are Year-end, final accounts prepared on a Receipts and Payments or Income and Expenditure basis?	Receipts and Payments basis. The Cash Book is extracted and circulated quarterly to Parish Councillors as part of the budget reporting and published on the website to conform to the Transparency Code Regulations 2015.
9.2	Do the accounts agree with the Cash Book codings?	Yes, end of year 2018/19 balances confirm that entries made in the cash book are accurate and agree to all bank accounts held by the Parish Council.
9.3	Is there an audit trail from underlying financial records to the accounts, for both receipts & payments?	Yes, the Parish Clerk is using a system where cross-referencing by cheque number or online payment number is used.
9.4	Where appropriate, have debtors and creditors been properly recorded? Are the year-end, General and Earmarked reserves held at reasonable levels?	No Debtors and Creditors information shown for the financial year 2018/19, as done on a receipt and payments accounts basis. General Reserves (contingency) total £6204.86 and there are £15794.42 Earmarked Reserves.

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Signed ___Tim Light_FMAAT
Internal Auditor

Date _____07/06/2019_____

Signed _____
RFO

Date _____

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Action Plan for Recommendations			
No.	Recommendations	Actioned by	Date
2.5	We recommended that VAT reimbursement claims should be submitted to HMRC at 6 monthly intervals in future.		
4.1	We recommend that the Parish Council should implement the following to ensure that they comply with the GDPR regulations: <ul style="list-style-type: none"> •Individual email addresses for Councillors dedicated to the Parish Council and ending in org.uk. 		

Signed ___Tim Light FMAAT

Internal Auditor

Date 07/06/2019___

Signed _____RFO

Date _____