

Internal Audit Report

For

Lighthorne Parish Council

Year Ended 31 March 2021

Internal Auditor: Trevor B Gill

Internal Audit for Lighthorne Parish Council

Table of Contents

Table of Contents	2
Basis of the Report	3
Introduction	4
Section 1 – Bookkeeping	4
Section 2 - Due Process	4
Standing Orders.....	4
Agendas.....	5
Minutes.....	5
Section 3 - Risk Management	5
Section 4 – Budget and Precept	5
Section 5 – Payroll Clerk	5
Section 6 – Payroll Other	5
Section 7 – Asset Control.....	6
Section 8 – Bank Reconciliation.....	6
Section 9 - Year End Procedures	6
Section 10 – Miscellaneous.....	6
Section 11 – Charities	6
Section 12 – Burial Authorities.....	6
Section 13 – Income Control	6
Section 14 – Petty Cash	6
Section 15 - Parish Website	6

Internal Audit for Lighthorne Parish Council

Basis of the Report

This internal audit report is based upon the Joint Panel on Accountability and Governance Practitioners' Guide Section 4 Non-Statutory Guidance for Internal Audit issued in March 2020

The scope of this internal audit is focused on assessing the effectiveness of the Council's internal controls. Where any such controls are found to be deficient, the internal audit will help lead to improvements in these processes.

By applying the principles of internal auditing, outlined in the current Accounts and Audit Regulations, and applying the approach to internal audit and testing outlined in paragraph 1 above, every effort is made to ensure that all internal audits are conducted with due professional care, integrity, and independence. All conclusions derived from the audit are based upon objective and traceable evidence.

NB: It would be incorrect to view the internal audit as the detailed inspection of all records and transactions of the Council in order to detect fraud. It is the periodic independent review of a Council's internal controls resulting in an assurance report designed to improve effectiveness and efficiency of the activities and operating procedures under the Council's control. Managing the

Internal Audit for Lighthorne Parish Council

Council's internal controls should be the day-to-day function of the staff and councillors and not left for internal audit.

Introduction

The audit was undertaken during March, April, and May 2021. Due to Central Government restrictions in respect of social distancing, travel restrictions and other coronavirus guidelines, the audit has been conducted by reviewing documents made available on Dropbox, email, remote meetings, and telephone conversations.

Where it was not possible or practical to review physical documents, invoices, receipts, or registers these can be reviewed, if deemed necessary or advisable by either the Council, the Clerk / Responsible Financial Officer, ("RFO") or if specifically requested by a member of the public once the current government restrictions are relaxed and it is deemed safe to do so. However, based upon all of reviews in my opinion this review, if requested, is unlikely uncover any major issues.

For detailed information regarding each section of the audit please refer to Appendix 1.

Section 1 – Bookkeeping

Lighthorne Parish Council maintains it's financial records on an Excel spreadsheet which is entirely reasonable and acceptable for a Parish Council of this size and considering the complexity of it's finances.

1. Entries to the spreadsheet were checked and found to be up to date and correct.
2. Bank reconciliation – this was checked and found to be correct.
3. An audit trail of a random sample payments was carried out. These were correctly authorised and recorded on the spreadsheet.
4. The spreadsheet also provides reporting of receipts and payments and a summary against budget to the Council as required
5. The VAT returns have been submitted in an accurate timely manner
6. There was no Section 137 expenditure recorded for the financial year ended 31 March 2021

Section 2 - Due Process

Standing Orders

A review of the standing orders was undertaken, and it is pleasing to note that some of the policies have been the subject of a recent review.

I would recommend that there is a further review of all policies to identify where policies should be updated and where additional policies are appropriate. This review should, where appropriate, ensure that the new policies use the templates available from the Warwickshire & West Midlands Association of Local Councils as the basis for the policies adopted.

I would also recommend that Council considers adopting:

1. A documents retention policy
2. A reserves policy
3. A complaints procedure

The National Association of Local Councils, ("NALC") regularly update policies and advice which in turn leads to the need for changes to adopted documents. It is recommended that on the front page of each document an update schedule (suggested format below) is included. This will enable anyone reading the document to easily identify when it was last updated, but more importantly will enable readers to be sure that the document has been updated in line with then latest advice.

Internal Audit for Lighthorne Parish Council

Update Schedule

Action	Date
Adopted by Lighthorne Parish Council	3 October 2020

Agendas

A review noted that all agendas were properly issued signed and dated

Minutes

A review of the minutes showed no unusual items and that they are properly signed as adopted.

Section 3 - Risk Management

It is noted that Lighthorne Parish Council does not have an Emergency Plan. It is good practice to have this in place as it provides a framework with which to work in the unlikely event that there is an emergency in the village. The CSW Resilience Team provide a template for this document and covers most of the main contact and procedural information into which the Council can add the local areas that will need to be covered in the event of an emergency.

It should be noted that the internal audit report for the year ended 31 March 2020 is not available for review and I cannot find reference to this document in the minutes that I have reviewed. Therefore, it is not possible to ascertain whether any recommendations have been implemented.

I have reviewed the risk assessment and would recommend that there is a thorough review of risks across all areas of the Council's responsibility. I would suggest that the existing assessment should be enhanced to cover

1. Operational Risk - people risk which would cover the loss of the clerk / responsible financial officer or Councillors
2. IT Risk which would cover the loss of data and the website
3. Compliance risk – failure to keep pace with the ever-changing regulations and changes to standing orders and policies
4. Financial risk – fraud and loss of assets
5. Operational and Reputational Risks - injuries sustained whilst using Council assets
6. Infectious Diseases – Coronavirus is an example

Section 4 – Budget and Precept

The budget and precept were properly considered and agreed

Section 5 – Payroll Clerk

It is noted that the clerk/responsible financial officer submits invoices for approval and payment in respect of the hours worked and therefore a formal payroll system is not required.

The Council should consider whether it is appropriate to agree and implement:

1. A staff grievance policy
2. A staff handbook
3. An appraisal policy

Section 6 – Payroll Other

Not applicable

Internal Audit for Lighthorne Parish Council

Section 7 – Asset Control

The fixed assets schedule was reviewed, and no issues were found, and the insurance policy provides adequate cover. It is advisable for regular inspections of the physical assets e.g., the playground to be undertaken and the fact that they have been inspected should be recorded in the minutes. A formal annual review of the playground by a professional body is also recommended as this could help in the unlikely event of an incident which results in injury to a visitor or to a user of the equipment.

Section 8 – Bank Reconciliation

The finances spreadsheet contains a reconciliation process which enables the bank account to be reconciled on a regular basis. Bank balances are reported in the Financial Statements submitted to the monthly meetings of the Parish Council. It is recommended that at least quarterly the councillor responsible for Finance confirms that the bank balances reported on the Financial Statement reconcile with the bank account.

Section 9 - Year End Procedures

The year-end procedures are well understood by the RFO and a review of the accounting and returns revealed no issues. It is noted that the year-end accounts have been approved and submitted to External Auditor within the required timescales.

Section 10 – Miscellaneous

It is noted that the Stratford on Avon District Council Code of Conduct has been adopted.

Section 11 – Charities

Not applicable

Section 12 – Burial Authorities

Not applicable

Section 13 – Income Control

All income was properly accounted for and where applicable paid into the bank account within acceptable timescales. It is noted that the majority of receipts are transferred direct into the bank account and it is suggested that wherever possible payments are made by this method.

Section 14 – Petty Cash

Not applicable. The appropriate letter addressed to the External Auditors has been provided.

Section 15 - Parish Website

It is recommended that a review of the Parish Council website is undertaken to ensure that the requirements under the Transparency Act 2014 and the Public Sector Bodies (Websites and Mobile Applications) Accessibility Regulations 2018 are being met. The website should also include an Accessibility Statement as required under the relevant legislation.

It is noted that for all files that are uploaded that relate to Parish Council business are in pdf format which is good practice. This considerably reduces the risk of files in other formats being downloaded and amended. In addition, files in formats other than pdf are much more difficult to view in browsers and this could lead to issues under the accessibility requirements.

Internal Audit for Lighthorne Parish Council

Conclusion

Whilst undertaking the Internal Audit, it became apparent that current Clerk / Responsible Financial Officer, supported by the Chair are carrying out their responsibilities in a diligent and efficient manner and they are to be commended for their work in addressing some of the areas that needed to be reviewed. It should be stressed that these areas are not related to the finances and there is no implication that there is any cause for concern in respect of the finances of Lighthorne Parish Council.

Where I have made comments or recommendations these are intended to assist the Council in addressing issues of an historical nature and to give some guidance on the areas that in my opinion need addressing.

It will be noted that in the Internal Audit Report 2020/21 of the AGAR Return 2020/21 Part 3 the internal auditor marked item F as Not Covered. This does not imply that there is anything untoward regarding the Parish Council accounts, rather this is a response required by the external auditor and in the case of Lighthorne Parish Council it means that there is no petty cash, a letter to PKF Littlejohn to that effect has been supplied by the internal auditor

This concludes the Internal Audit.

Trevor B Gill
Sunday, 6 June 2021

Appendix 1

INTERNAL AUDIT CHECKLIST - YEAR ENDED 31 MARCH 2021

Name of Council	Lighthorne Parish Council	Name of Clerk	Laura Newberry
No of Councillors	6	Name of RFO (if different)	As above
Quorum	4	Precept Amount	£14,130
Electorate numbers		Gross Income	£27,051

1	Book Keeping						
Ref	Activity	Last Review Date	Hyperlink	Reviewed	Complete	Comments / recommendations	
1.1	Ledger maintained and up to date?			Yes	Yes		
1.2	Arithmetically correct			Yes	Yes		
1.3	Evidence of Internal Control			Yes	Yes		
1.4	VAT evidence, recording and recalimed			Yes	Yes		
1.5	Payments ledger supported by invoices, authorised and minuted			Yes	Yes		
1.6	S137 seperately recorded and within limits			N/A	Yes		
1.7	S137 expenditure of direct benefit to electorate			N/A	Yes		

2	Due Process						
2.10	Standing Orders & Policies With Last Review Date						
Ref	Document Title	Last Review Date	Hyperlink	Reviewed	Complete	Comments / recommendations	
2.106	LPC - Code of Conduct	Not Available	LPC Code of Conduct.pdf	Yes	Yes		
2.109	LPC - Councillor Expenses	12 March 2019	LPC Expenses Policy.pdf	Yes	Yes		
2.111	LPC - Data Protection Policy	11 June 2019	LPC Data Protection Policy.pdf	Yes	Yes		
2.116	LPC - Equality & Diversity Policy	12 March 2019	LPC Equality & Diversity Policy.pdf	Yes	Yes		
2.126	LPC - Health & Safety Policy	12 March 2019	LPC Health and Safety Policy.pdf	Yes	Yes		
2.129	LPC - Non Financial Standing Orders	Not Available	LPC Non Financial Standing Orders .pdf	Yes	Yes		
2.134	LPC - Publication Scheme	09 March 2021	LPC Publication Scheme.pdf	Yes	Yes		
2.135	LPC - Scheme of Delegation	09 March 2021	LPC Scheme of Delegation.pdf	Yes	Yes		
2.137	LPC - Transprency Code	09 March 2021	LPC Transparency Code.pdf	Yes	Yes		

2.2	Financial regulations adopted						
Ref	Document Title	Last Review Date	Hyperlink	Reviewed	Complete	Comments / recommendations	
2.201	LPC - Financial Regulations	09 February 2021	LPC Financial Regulations.pdf	Yes	Yes		

2.3	Financial Regulations properly tailored to council						
Ref	Activity	Last Review Date	Hyperlink	Reviewed	Complete	Comments / recommendations	
2.301	RFO Appointed	12 January 2021		Yes	Yes		
2.302	List of member interests held	On SDC website	https://democracy.stratford.gov.uk/mgParishCouncilDetails.aspx?ID=267&LS=4	Yes	Yes		

2.4	Agendas signed, informative and displayed with a clear 3 days notice						
Ref	Document Title	Meeting Date	Hyperlink	Reviewed	Complete	Comments / recommendations	
2.401	LPC Monthly Meeting Agenda	14 April 2020	20200414 Lighthorne PC Agenda.pdf	Yes	Yes		
2.402	LPC Monthly Meeting Agenda	12 May 2020	20200512 Lighthorne PC Agenda.pdf	Yes	Yes		
2.403	LPC Monthly Meeting Agenda	09 June 2020	20200609 Lighthorne PC Agenda.pdf	Yes	Yes		
2.404	LPC Monthly Meeting Agenda	14 July 2020	20200714 Lighthorne PC Agenda.pdf	Yes	Yes		
2.405	LPC Monthly Meeting Agenda	08 September 2020	20200908 Lighthorne PC Agenda.pdf	Yes	Yes		
2.406	LPC Monthly Meeting Agenda	13 October 2020	20201013 Lighthorne PC Agenda.pdf	Yes	Yes		

	2.407	LPC Monthly Meeting Agenda	10 November 2020	20201110 Lighthorne PC Agenda.pdf	Yes	Yes	
	2.408	LPC Monthly Meeting Agenda	08 December 2020	20201208 Lighthorne PC Agenda.pdf	Yes	Yes	
	2.409	LPC Monthly Meeting Agenda	12 January 2021	20210112 Lighthorne PC Agenda.pdf	Yes	Yes	
	2.410	LPC Monthly Meeting Agenda	09 February 2021	20210209 Lighthorne PC Agenda.pdf	Yes	Yes	
	2.411	LPC Monthly Meeting Agenda	09 March 2021	20210309 Lighthorne PC Agenda.pdf	Yes	Yes	

2.5	Ref	Activity	Last Review Date	Hyperlink	Reviewed	Complete	Comments / recommendations
	2.501	Purchase orders raised for expenditure			N/A	Yes	
	2.502	Purchasing authority defined in Financial Standing Orders			N/A	Yes	
	2.503	Legal powers identified in minutes and/or cash book			N/A	Yes	
	2.504	Committee terms of reference exist and have been reviewed			N/A	Yes	

3 Risk Management

BIPC Emergency Plan							
3.1	Ref	Document Title	Last Review Date	Hyperlink	Reviewed	Complete	Comments / recommendations
	3.101	LPC - Emergency Plan			N/A	Yes	Recommendation made

Previous Internal Control Reports							
3.2	Ref	Document Title	Last Review Date	Hyperlink	Reviewed	Complete	Comments / recommendations
	3.201	LPC - Internal Audit Report			N/A	Yes	
	3.202	Were recommendations from the previous Internal Audit Report implemented			N/A	Yes	

Annual risk assessment review							
3.3	Ref	Document Title	Last Review Date	Hyperlink	Reviewed	Complete	Comments / recommendations
	3.301	LPC - Financial Risk Assessment	09 March 2021		Yes	Yes	

Insurance cover sufficient and appropriate							
3.5	Ref	Document Title	Last Review Date	Hyperlink	Reviewed	Complete	Comments / recommendations
	3.401	LPC - Insurance Policy			Yes	Yes	

	Ref	Activity	Last Review Date	Hyperlink	Reviewed	Complete	Comments / recommendations
	3.411	Evidence of insurance review			Yes	Yes	
	3.421	Evidence of Public and employee liability insurance			Yes	Yes	

Minutes signed, pages numbered & reviewed for unusual activity							
3.6	Ref	Document Title	Meeting Date	Hyperlink	Reviewed	Complete	Comments / recommendations
	3.601	LPC Monthly Meeting Minutes	14 April 2020	20200414 Lighthorne PC Minutes.pdf	Yes	Yes	
	3.602	LPC Monthly Meeting Minutes	12 May 2020	20200512 Lighthorne PC Minutes.pdf	Yes	Yes	
	3.603	LPC Monthly Meeting Minutes	09 June 2020	20200609 Lighthorne PC Minutes.pdf	Yes	Yes	
	3.604	LPC Monthly Meeting Minutes	14 July 2020	20200714 Lighthorne PC Minutes.pdf	Yes	Yes	
	3.605	LPC Monthly Meeting Minutes	08 September 2020	20200908 Lighthorne PC Minutes.pdf	Yes	Yes	
	3.606	LPC Monthly Meeting Minutes	13 October 2020	20201013 Lighthorne PC Minutes.pdf	Yes	Yes	
	3.607	LPC Monthly Meeting Minutes	10 November 2020	20201110 Lighthorne PC Minutes.pdf	Yes	Yes	
	3.608	LPC Monthly Meeting Minutes	08 December 2020	20201208 Lighthorne PC Minutes.pdf	Yes	Yes	
	3.609	LPC Monthly Meeting Minutes	12 January 2021	20210112 Lighthorne PC Minutes.pdf	Yes	Yes	
	3.610	LPC Monthly Meeting Minutes	09 February 2021	20210209 Lighthorne PC Minutes.pdf	Yes	Yes	
	3.611	LPC Monthly Meeting Minutes	09 March 2021	20210309 Lighthorne PC Minutes.pdf	Yes	Yes	

3.7	Ref	Activity	Last Review Date	Hyperlink	Reviewed	Complete	Comments / recommendations
	3.701	Regular reporting and minuting of bank balances			Yes	Yes	
	3.702	S137 expenditure minuted			N/A	Yes	

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4 Budget and Precept							
Ref	Activity	Last Review Date	Hyperlink	Reviewed	Complete	Comments / recommendations	
4.1	Annual budget to support the precept			Yes	Yes		
4.2	Has budget been discussed and adopted by the Council			Yes	Yes		
4.3	Any reserves earmarked			Yes	Yes		
4.4	Any unexplained variances against budget			Yes	Yes		
4.5	Precept demand correctly minuted			Yes	Yes		

5 Payroll Clerk							
Ref	Activity	Last Review Date	Hyperlink	Reviewed	Complete	Comments / recommendations	
5.01	Appointment of the Clerk	12 January 2021		Yes	Yes	It should be noted that the arrangement agreed with the clerk is that she will submit invoices for payment in respect of the hours worked.	
5.02	Contract of employment	12 January 2021		Yes	Yes		
5.03	Tax code issued			Yes	Yes		
5.04	PAYE & NI Evidence			Yes	Yes		
5.05	Software package for salary or external			Yes	Yes		
5.06	Who calculates the monthly pay and process for review			Yes	Yes		
5.07	P60 Issued			Yes	Yes		
5.08	Payslips issued			Yes	Yes		
5.09	Pension payments made			Yes	Yes		
5.1	Monthly pension statements sent to provider			Yes	Yes		
5.11	Annual Pension statement sent to pension provider			Yes	Yes		
5.12	Has the council approved the salary to be paid			Yes	Yes		
5.13	Other payments reasonable and approved by the Council			Yes	Yes		

6 Payroll Other							
6.1	Ref	Activity	Last Review Date	Hyperlink	Reviewed	Complete	Comments / recommendations
	6.101	Appointment of the Employee			N/A	Yes	
	6.111	Contract of employment			N/A	Yes	
	6.121	Tax code issued			N/A	Yes	
	6.131	PAYE & NI Evidence			N/A	Yes	
	6.141	Software package for salary or external			N/A	Yes	
	6.151	Who calculates the monthly pay and process for review			N/A	Yes	
	6.161	Has the council approved the salary to be paid			N/A	Yes	
	6.171	Other payments reasonable and approved by the Council			N/A	Yes	
	6.181	Are the appropriate pensions provisions in place			N/A	Yes	
	6.191	Evidence of required submissions seen			N/A	Yes	
	6.201	Requirements re disputes in place			N/A	Yes	

Payroll / Staff Standing Orders & Procedures							
6.2	Ref	Document Title	Last Review Date	Hyperlink	Reviewed	Complete	Comments / recommendations
	6.201	LPC - Appraisal Policy					
	6.211	LPC - Contract of Employment			Yes	Yes	
	6.221	LPC - Grievance Policy					
	6.231	LPC - Job Description			Yes	Yes	
	6.241	LPC - Staff Handbook					
	6.251	LPC - Staff Disciplinary Procedure					

7 Asset Control							
7.1	Ref	Activity	Last Review Date	Hyperlink	Reviewed	Complete	Comments / recommendations
	7.101	Does the council keep a register of all material assets owned			Yes	Yes	
	7.111	LPC - Fixed Assets Register	04/05/2021	LPC Asset Register.pdf	Yes	Yes	
	7.121	LPC - Insurance Policy		TAP Policy Schedule 2020-21.pdf	Yes	Yes	
	7.131	Value of individual assets included			Yes	Yes	

	7.141	Inspected for risk and up to date inspection records exist			Yes	Yes	

8 Bank reconciliation							
Ref	Activity	Last Review Date	Hyperlink	Reviewed	Complete	Comments / recommendations	
8.1	Is there a bank reconciliation for each account			Yes	Yes		
8.2	Evidence of quarterly reconciliation check as per Financial Regulations section 2.2			Yes	Yes		
8.3	Is the bank mandate up to date			Yes	Yes		
8.4	Bank statements and ledger reconcile			Yes	Yes		
8.5	Any unexplained balancing entries in any reconciliation			Yes	Yes		

9 Year End Procedures							
Year end accounts prepared on correct accounting process							
9.1 Ref	Document Title	Last Review Date	Hyperlink	Reviewed	Complete	Comments / recommendations	
9.101	LPC - End of Year Accounts			Yes	Yes		
9.111	LPC - Standing Orders & Direct Debits			Yes	Yes		
9.2 Ref	Activity	Last Review Date	Hyperlink	Reviewed	Complete	Comments / recommendations	
9.201	Bank statements and ledger reconciles			Yes	Yes		
9.211	Underlying financial trail from records to presented accounts			Yes	Yes		
9.221	Where appropriate, debtors and creditors properly recorded			Yes	Yes		
9.231	Has the council agreed, signed and minuted sections 1 & 2 of the annual return			Yes	Yes		
9.241	Internal Audit Cash Letter			Yes	Yes		
9.251	AGAR Part 1			Yes	Yes		
9.261	AGAR Part 2			Yes	Yes		
9.271	AGAR Part 3			Yes	Yes		
9.281	End of Year Accounts			Yes	Yes		

10 Miscellaneous							
Ref	Activity	Last Review Date	Hyperlink	Reviewed	Complete	Comments / recommendations	
10.1	Has the council adopted a code of conduct			Yes	Yes		
10.2	Is the general Power of Competence			N/A	Yes		
10.3	Are all electronic files properly backed up			Yes	Yes		
10.4	Do arrangements for public inspection of council's records exist			Yes	Yes		

11 Charities							
Ref	Activity	Last Review Date	Hyperlink	Reviewed	Complete	Comments / recommendations	
11.1	Charities reported and accounted for separately			N/A	Yes		
11.2	Have the charity accounts been separately audited			N/A	Yes		
11.3	Have the charity accounts and Annual Return been filed within the legal time limits			N/A	Yes		

12 Burial Authorities							
Ref	Activity	Last Review Date	Hyperlink	Reviewed	Complete	Comments / recommendations	
12.1	Payments received agrees with burials in the financial year			N/A	Yes		
12.2	Fees levied as per the councils agreed scale of fees			N/A	Yes		
12.3	Are the Statutory Records correct			N/A	Yes		
12.4	Do all internment of ashes have a certificate of creation			N/A	Yes		
12.5	Have the necessary permits, permissions and transfer of Exclusive Burial Right (EBR) been completed			N/A	Yes		

13 Income Control							
Ref	Activity	Last Review Date	Hyperlink	Reviewed	Complete	Comments / recommendations	
13.1	Is income properly recorded and promptly banked			Yes	Yes		
13.2	Does the precept recorded agree to the Council Tax authorities notification			Yes	Yes		

	13.3	Are the security controls over cash adequate and effective			Yes	Yes	

14 Petty Cash							
Ref	Activity	Last Review Date	Hyperlink	Reviewed	Complete	Comments / recommendations	
14.1	Is all petty cash spent recorded and supported by VAT receipts where applicable			N/A	Yes		
14.2	Is petty cash expenditure reported to the Council			N/A	Yes		
14.3	Is petty cash reimbursement carried out regularly			N/A	Yes		

15 Parish Council Website							
Ref	Activity	Last Review Date	Hyperlink	Reviewed	Complete	Comments / recommendations	
15.001	Accessibility Statement re Website			Yes	Yes		
15.101	Has the Transparency Code For Small Authorities requirements been met and the following been published:			N/A	Yes		
15.201	1-all items of expenditure above £100			Yes	Yes		
15.301	2-end of year accounts			Yes	Yes		
15.401	3-annual governance statement			Yes	Yes		
15.501	4-internal audit report			Yes	Yes		
15.601	5-list of councillor or member responsibilities			Yes	Yes		
15.701	6-the details of public land and building assets			Yes	Yes		
15.801	7-Minutes, agendas and meeting papers of formal meetings			Yes	Yes		
15.901	If not applicable has letter to the external auditor been nissued			Yes	Yes		