Internal Audit

Darrington Parish Council

Year Ending 31 March 2022

Internal Auditor: Scott Currell Davis

Summary Checklist Report

This internal audit report is based upon the Association of Local Councils recommended checklist, introduced in 2016, in conjunction with the Practitioners' Guide to Governance and Accountability in Local Authorities.

CONFIDENTIAL

Darrington Parish Council Internal Audit Summary Checklist Report

For Year Ending: 31 March 2022

Name of Council	Darrington Parish Council	Name of Clerk to the Council	Joanne Jones
No. Of Councillors	4	Name of RFO	Fiona Gray
Quorum	3	Precept (for audit year)	£13,044
Electorate	629	Gross budgeted income	£14,316

1.	**Book-Keeping**		**Comments & Recommendations**
1.1	Ledger maintained & up to date?	Yes	The accounts are balanced to be up to date for the monthly Council meeting and are up to date to the financial year-end.
1.2	Arithmetic correct?	Yes	Ledger reconciled monthly
1.3	Evidence of internal control?	Yes	• Internal audit • Budgetary control and monitoring • Bank reconciliation review by Council **RECOMMENDATION:** **Adopt and implement a Risk assessment policy / Risk Management Schedule**
1.4	VAT evidence, recording and reclaimed?	Yes	The Council can recover VAT through the Local Authorities and Similar Bodies Scheme. A claim for repayment of VAT is made annually. The last claim received in the year covered the period to 31/03/21.
1.5	Payments in the ledger supported by invoices, authorised & minuted?	Yes	See Detailed Schedule in Compliance Testing Report. All payments are authorised in monthly minutes.
1.6	Is S137 expenditure separately recorded and within statutory limits?	Yes	A separate S137 account is maintained in the cash book to record S137 expenditure.
1.7	Is S137 expenditure of direct benefit to the electorate?	Yes	All S137 expenditure incurred in the current financial year was in respect of activities relevant to the parish e.g. donations to local primary school, playgroup, etc

2.	Due Process		Comments & Recommendations
2.1	Standing Orders adopted since 2010?	Yes	Standing Orders were last reviewed, updated and approved by Council at an ordinary meeting held on 10 February 2022. The Standing Orders were overhauled entirely to align to NALC current best practice guidelines.
2.2	Standing Orders reviewed at Annual Meeting?	Yes	Initial indication was that this item would be reviewed at the Annual Meeting on 8 September 2022, however as the Standing Orders were recently adopted (10 February 2022), these will be reviewed at the 2023-24 Annual Meeting in May 2023.
2.3	Financial Regulations adopted?	Yes	Financial Regulations were last reviewed, updated and approved by Council at the Annual meeting in May 2015, when no amendments were made. No changes have been made since. **RECOMMENDATION: Update and adopt the Financial Regulations to align to NALC current best practice**
2.4	Financial Regulations properly tailored to Council?	No	The current Financial Regulations appear to be based on previous and outdated NALC model Financial Regulations, **RECOMMENDATION: Update and adopt the Financial Regulations to align to NALC current best practice**
2.5	Equal Opportunities policy adopted?	No	An Equal Opportunities policy has not yet been adopted by the Council. **RECOMMENDATION:** **Introduce an Equal Opportunities policy and implement accordingly.**
2.6	RFO appointed?	Yes	Fiona Gray was appointed as Clerk to the Council on 27 July 2022, which included responsibility as the RFO.
2.7	List of member's interests held?	Yes	The Clerk maintains and updates the list of member's interest as required. A link is available on the Wakefield Council website to the list of member's interest held at the Darrington Parish Council. www.wakefield.gov.uk: Parish council - Darrington Parish Council **RECOMMENDATION:** **Update members interest forms for Linda Thompson and Vera Stones to current format**
2.8	Agendas signed, informative and displayed with 3 clear days' notice?	Yes	The clerk prepares and signs the council meeting agenda, which lists matters for discussion and is posted on the Council's website and parish council notice board.
2.9	Purchase orders raised for all expenditure?	Yes	Financial Regulations determine how commitment to purchase is made (see 2.10). Most orders for goods and services are made by or confirmed by email. **RECOMMENDATION:** **Adopt and implement a purchase order system**
2.10	Purchasing authority defined in Financial Regulations?	Yes	The Financial Regulations stipulate that: • Where possible estimates/quotes will be obtained for purchases exceeding £5,000. • Under £1,000 can be authorised by the Clerk, subject to budgetary provision.

2.11	Legal powers identified in minutes and/or ledger?	Yes	Policies are documented and decisions minuted.
2.12	Committee terms of reference exist and have been reviewed?	N/A	No committees of council

3.	**Risk Management**		**Comments & Recommendations**
3.1	Does a scan of the minutes identify any unusual financial activity?	No	Minutes are prepared for all meetings of the Council, which meets 11 times per year. No unusual financial activity was found in the minutes reviewed. Council minutes are available to view on the Council's website.
3.2	Is an annual risk assessment carried out?	No	The Council does not have a risk management document covering aspects of health & safety risk. **RECOMMENDATION:** **Implement a risk assessment policy that covers all the main areas of potential risk the Council could encounter.**
3.3	Is Insurance cover appropriate and adequate?	Yes	The level and range of insurance cover appears to be adequate for the size of the Council. **RECOMMENDATION:** **Investigate whether lamp posts are owned by DPC and should be insured**
3.4	Evidence of annual insurance review?	Yes	The insurance is renewed annually on or shortly after 1st of May. Insurance cover is currently placed with specialist brokers Came & Company, who insure through AXA UK & Ireland for liability insurance. A 1-year contract with Came & Co was taken out on 01/06/2021, which expired on 31/05/22.
3.5	Internal financial controls documented and evidenced?	No	Internal controls are not yet documented and evidenced. **RECOMMENDATION:** **Adopt and implement a Statement of Internal Control.**
3.6	Minutes initialled, each page identified and overall signed?	No	Minutes of all Council and committee meetings are not all currently initialled by the chair of the meeting. Each page of the minutes is identifiable by the unique sequential minute number and all minutes are signed by the meeting chair and dated. **Recommendation:** **That each page of the minutes of all Council meetings is initialled and signed by the meeting chair, and filed by the RFO as required by the Local Government Act 1972.** http://www.legislation.gov.uk/ukpga/1972/70/schedule/12/paragraph/41
3.7	Regular reporting and minuting of bank balances?	Yes	Bank balances are presented to Council at each meeting as part of the financial reporting and are minuted.
3.8	S137 expenditure minuted?	Yes	S137 expenditure is identified as such in the monthly payment summary for approval by the Council and is minuted on the same basis. Furthermore expenditure does not exceed S137 statutory limits.

4.	Budget		Comments & Recommendations
4.1	Annual budget prepared to support precept?	Yes	A detailed budget is prepared annually by the RFO.
4.2	Has budget been discussed and adopted by Council?	Yes	The budget for the financial year being audited was reviewed and approved by the Council at its January 2022 meeting.
4.3	Any reserves earmarked?	No	There are no reserves earmarked at 31 March 2022.
4.4	Any unexplained variances from budget?	No	All explained as per the Annual Return and from financial reports presented to Council.
4.5	Precept demand correctly minuted?	Yes	The approved precept demand was forwarded to Darrington Parish Council during December 2021, however the value of the precept demand was not minuted. **RECOMMENDATION:** **Correctly minute the value of the precept demand.**

5.	Payroll - Clerk		Comments & Recommendations
5.1	Contract of employment?	N/A	The clerk is a contracted service provider and is not employed by the council
5.2	Tax code issued/contracted out?	N/A	
5.3	PAYE/NI evidence?	N/A	
5.4	Has Council approved the salary paid?	N/A	
5.5	Other payments reasonable and approved by Council?	N/A	

6.	Payroll - Other		Comments & Recommendations
6.1	Contracts of employment?	N/A	The Clerk is responsible for all the financial and administrative affairs of the Council.
6.2	Does the Council have employers' liability cover?	N/A	
6.3	Tax code(s) issued?	N/A	
6.4	Minimum Wage paid?	N/A	
6.5	Disciplinary, Grievance & Complaints procedures in place?	N/A	

7.	Asset Control		Comments & Recommendations
7.1	Does the Council keep a register of all material assets owned?	Yes	The RFO is responsible for maintaining the manual asset register.
7.2	Is the asset register up to date?	No	The asset register appeared to be up to date as at the financial year-end. No assets were purchased in the current financial year. **RECOMMENDATION:** **1. To review the asset register and include any unlisted items.** **2. To formalise the asset register to allocated purchase orders.** **3. To investigate whether lamp posts are owned by DPC or Wakefield Council** **4. To align insurance of the assets to the asset register – consider valuation of assets.**
7.3	Value of individual assets included?	Yes	No minimum value is applicable for the assets listed on the asset register. No formal valuation has been undertaken.
7.4	Inspected for risk and health and safety?	Yes	Annual inspection of the Council's assets by the councillors or external providers (e.g. defibrillator)

8.	Bank Reconciliation		Comments & Recommendations
8.1	Is there a bank reconciliation for each account?	Yes	Reconciliations are undertaken for the bank account held by the Council: • Virgin Money (current) Account; bank statements received monthly. The main account for cheque payments and receipts.
8.2	Reconciliation carried out on receipt of statement?	Yes	The bank account is reconciled on receipt of statement.
8.3	Any unexplained balancing entries in any reconciliation?	Yes	All balancing entries fully explained.
8.4	Is the bank mandate up to date?	Yes	The bank mandate was updated and approved by the Council at the meeting held on 27 July 2022. This mandate authorises 3 Council members as signatories: Linda Thompson, Vera Stones and Fiona Gray (RFO). The RFO is also recognised by the bank for administrative and communication purposes and to transfer funds between the accounts. Any 2 of the nominated signatories are required to sign cheques. All Council signatories on the bank mandate were still Council members at the end of the current financial year.

9.	Year-End Procedures		Comments & Recommendations
9.1	Year-end accounts prepared on correct accounting basis?	Yes	Day to day and year-end accounts are prepared on a Receipts and Payments basis.
9.2	Bank statements and ledger reconcile?	Yes	A full reconciliation of each bank statement to the corresponding account in the ledger as at 31st March was prepared and reviewed and approved by the Council.
9.3	Underlying financial trail from records to presented accounts?	Yes	The manual accounting system provides a satisfactory audit trail to the underlying financial records.
9.4	Where applicable, debtors and creditors properly recorded?	Yes	Although not required to be recorded in the Receipts and Payments Accounts (i.e.cash based accounts), no outstanding debtors or creditors were identified at the financial year-end.
9.5	Has Council agreed, signed and minuted sections 1 & 2 of the Annual Return?	Yes	Section 1-Annual Governance Statement to be signed by the Council chair on 08/09/2022 Section 2-Accounting Statements to be presented to the Council for signing at the meeting of 08/09/2022

10.	Miscellaneous		Comments & Recommendations
10.1	Have points raised at the last internal audit been addressed?	Yes	There has been partial compliance with the previous year's recommendations. The recommendations not yet addressed have been raised once again during this audit.
10.2	Has the Council adopted a Code of Conduct since July 2012?	Yes	The Council adopted a Code of Conduct at the ordinary meeting held on 10 February 2022 and which will be reviewed and updated as applicable.
10.3	Is eligibility for the General Power of Competence properly evidenced?	N/A	The Council is not eligible for this particular power.
10.4	Are all electronic files backed up?	Yes	Finance and Admin files are backed up to a OneDrive folder in the cloud which is managed by the Clerk. **RECOMMENDATION:** **Give access to the OneDrive folder to all members of the council**
10.5	Do arrangements for the public inspection of records exist?	Yes	Notice of audit displayed as per external audit instructions. Outside of this period, inspection of records can be undertaken by prior appointment

11.	Charities		Comments & Recommendations
11.1	Charities reported and accounted separately?	N/A	The Council does not currently act as trustee for any charity and is not responsible for managing any trust funds or assets
11.2	Have the accounts been separately audited?	N/A	

11.3	Have the accounts been filed within the legal time limits?	N/A	
11.4	Has the Annual Return been filed within the legal time limits?	N/A	

12.	**Burial Authorities**		**Comments & Recommendations**
12.1	All money received corresponds with the number of burials/cremations recorded and memorial permits issued?	N/A	Darrington Parish Council does not own any burial land
12.2	Are fees levied in accordance with the Council's approved scale of fees and charges?	N/A	
12.3	Have all statutory books been kept safe and up to date? If electronic copies are held, are these backed up regularly?	N/A	
12.4	Do all internment of ashes have a certificate of cremation?	N/A	
12.5	Have the necessary permits, permissions, and transfer of Exclusive Burial Right (EBR) been completed correctly, documented and approved?	N/A	

13.	**Income Controls**		**Comments & Recommendations**
13.1	Is income properly recorded and promptly banked?	Yes	Receipts (acknowledgments) are issued for payments received, where applicable. Cash and cheques are banked as soon as is practically possible. Outside of the precept, bank interest and the VAT reclaim there is minimal other income.
13.2	Does the precept recorded agree to the Council Tax authority's notification?	Yes	The precept and CTSG were received in the following instalments and recorded in the accounts: April 2021: £13,044 (100.0% of annual precept) The total precept received for 2021/22 was £13,044.
13.3	Are security controls over cash adequate and effective?	N/A	No incoming or outgoing cash is handled by the Council.

14.	**Petty Cash**		**Comments & Recommendations**
14.1	Is all petty cash spent recorded and supported by VAT receipts where applicable?	N/A	Darrington Parish Council does not operate a petty cash account
14.2	Is petty cash expenditure reported to Council?	NA	

14.3	Is petty cash reimbursement carried out regularly?	N/A	

TRANSACTION SPOT CHECK

Check No.	**1**	**2**	**3**	**4**	**5**	**6**
Transaction type	Purchase invoice	Purchase invoice	Loan repayment	Purchase invoice	S137 Grant payment	Expenditure Reimbursement
Supplier/Customer	Pink Spaghetti	First Impressions	PWLB Lending Facility	Street Master	Darrington C.E. Primary School	PM Stainer
Invoice/Transaction No.	0051	1019	No invoice no.	8540	No invoice no.	No invoice no.
Invoice/Transaction date	05/07/15	06.11.2021	31.12.2021	28.07.2021	23.05.2021	17.06.2021
Goods/services supplied	Clerk duties	Winter flower beds & planters	Loan repayment for lamp posts	Village Benches	Reflective Area	Postage
Ledger date	10.02.2022	06.11.2021	13.01.2022	21.06.2021	20.05.2021	17.06.2021
Ledger Reference	67-2122	52-2122	62-2122	07-2122	14-2122	15-2122
Item/Budget heading	Operating Expense	Maintenance	Asset	Asset	S137	Operating Expense
Ref/cheque No.	913	897	DD Public Works Loans	853	860	861
Authorised by	2*authorised signatures	2 x authorised signatories	2 x authorised signatories	2 x authorised signatories	2 x authorised signatories	2 x authorised signatories
Order Minute Ref	n/a	n/a	n/a	n/a	n/a	n/a
Delivery evidence	Provision of service	Visual check	Visual check	Asset in place	Visual check	Submission of AGAR
Payment minute ref	67-2122	52-2122	62-2122	07-2122	14-2122	15-2122
Insurance value	n/a	n/a	£0.00	£9,513.60	n/a	n/a
Payment value	£582.00	£1,340.40	£1,104.17	£9,513.60	£1,000.00	£6.85
O/S Statement value	£0.00	£0.00	£19,541.30	£0.00	£0.00	£0.00
Timely payment	✓	✓	✓	✓	✓	✓

VAT recorded	n/a (not registered for VAT)	Yes	n/a	Yes	n/a	n/a
S137 recorded in ledger	n/a	n/a	n/a	n/a	Yes	n/a
S137 minuted	n/a	n/a	n/a	n/a	Yes	n/a
Notes					Signed minutes not on file	
Pass	✓	✓	✓	✓	✓	✓

Any further comments

Following a change to members of the Council, a comprehensive internal audit has been undertaken and several recommendations made, and as such should be considered as Opportunities for Improvement, rather than any reduction in the required standards of control that the Clerk continues to maintain.

The overall internal audit assurance rating remains as: **GOOD.**

Internal audit carried out by SCOTT C DAVIS	**(signed)**	**(print)** SCOTT C DAVIS
Audit type (delete as appropriate)	**INTERIM**	**ANNUAL**
Date	05/09/2022	

For internal auditor's use only	
Section 4 of Annual Return form completed and signed	
Internal audit report sent to Council	

ANNUAL RETURN	Year Ending 31 March 2021	Year Ending 31 March 2022
1. Balances brought forward	£20,821	£34,382
2. Annual precept	£13,044	£13,044
3. Total other receipts	£13,680	£792
4. Staff costs	£0	£0
5. Loan interest / capital repayments	£2,208	£2,208
6. Total other payments	£10,955	£25,377
7. Balances carried forward	£34,382	£20,633
8. Total cash and investments	£34,382	£20,633
9. Total fixed assets and long-term assets	£22,500	£32,150
10. Total borrowings	£21,096	£18,888
Section 2 Annual Return figures completed and cross referenced?		03/09/2022