

# **Parish Council Accounts Financial Year Ending 31 March 2021**

## **Half Year Internal Audit Report**

I confirm that I have completed an independent examination of the accounts and documentation of the Fownhope Parish Council for the first half of financial year ending 31 March 2021.

I confirm that I am independent of financial decision making, financial management, financial control and financial procedures of Fownhope Parish Council.

### **SCOPE OF AUDIT**

I have conducted an audit of the half year performance in order to evaluate areas of the Council's risk management and governance processes. I believe it is appropriate for the size of the Fownhope Parish Council.

The internal audit for financial year ending 31 March 2020 did not find any areas of non-compliance and no recommendations for improvement were made.

The external audit for financial year ending 31 March 2020 has not been completed because the auditors have to consider information in correspondence they have received before concluding the audit and discharging their responsibilities.

I have set the scope of this half year audit to include the items suggested in the internal audit for financial year ending 31 March 2020. The scope is as follows: -

- A review of documentation including sample checks on documents supplied in order to confirm that the accounts are accurate, correctly balanced and show that the Fownhope Parish Council has implemented a satisfactory process for financial control.
- A review of policy and procedure documentation available on-line in order to confirm that only current versions of documents are included or available.
- A detailed audit of compliance with the Financial Regulations and Standing Orders from the beginning of financial year 2020-2021.

### **DOCUMENTS EXAMINED**

I have examined the following documents: -

- The computer Excel spreadsheet file FPC accounts for year ending 31.3.21 HT.xls which includes sheets
  - Annual Return
  - Balance Sheet
  - Accounts
  - Cash Book Reconciliation
  - Payments
  - Receipts
  - Reserved Funds
  - Outstanding cheques 31/3/20
  - Fixed Asset Register
  - IAG Report
  - Loan Repayments
- Bank statements for the Current Account and Business Reserve Account held at the NatWest Bank and Treasurer's Account held at Lloyds Bank by Fownhope Parish Council.

- Cheque book and paying-in book for the Lloyds Bank Treasurer's Account.
- Invoices.
- Payments received.
- Minutes of Parish Council meetings (April 2020 to November 2020).
- Finance Statements presented to the Parish Council Meetings.
- Finance Working Group Meeting Notes (April, June and September)
- IAG (Investment Advisory Group) Report October 2020.
- Draft Budget 2020/2021
- Policies and Procedures available on the Parish Council section of the new Fownhope website

## **FINDINGS**

### **Review of Documentation**

- The records of payments in the spreadsheet were checked by following trails for sample payments with invoices received, and payment approvals in the Fownhope Parish Council meeting minutes and bank statements.
- The records of receipts in the spreadsheet were checked by following trails for sample remittances with paying in book.
- The layout and formulae in the payments and receipts spreadsheets were checked for accuracy.
- The accuracy of the figures in the Financial Statements presented to the Fownhope Parish Council meetings was checked by taking samples and checking against bank statements, invoices, and spreadsheet values.
- The approval for payments to be made was checked by following sample audit trails from invoice to meeting agenda, to approval by email.
- The figures in Spreadsheet Accounts were checked (column I) by identifying the link to the other sheets.

My review did not identify any errors or omissions.

I consider that the records and documentation are maintained in an orderly manner and it was straightforward to identify documents when following an audit trail.

### **Review of Policy and Procedure Documentation**

The Policies and Procedures documentation available on the Parish Council website was examined in order to confirm that only current versions of documents are included or available.

I found the following matters needing attention.

- The document Councillors' Code of Conduct available on <https://www.fownhope.org.uk/policies-and-procedures> is the code adopted by the Herefordshire Council but there is no date to show when it was adopted by the Fownhope Parish Council. The Complaints Procedure available on <https://www.fownhope.org.uk/policies-and-procedures> refers to the conduct of Councillors being covered by the Parish Councils (Model Code of Conduct) (England) which, it says, was adopted by the Fownhope Parish Council on 1st August 2012 and which is included with the minutes of that meeting as an Appendix. Whilst the principles of the documents may be similar, the Councillors' Code of Conduct available on the website and the document adopted by the FPC on 1 August 2012 are quite different.

- The Financial Regulations linked on page <https://www.fownhope.org.uk/financial-reporting> is not the same as that linked on page <https://www.fownhope.org.uk/policies-and-procedures>. The latter has the approval date on the first page and the former does not. There may be other variations.

I have therefore made recommendations for improvements.

### **Review of Compliance with Financial Regulations and Standing Orders**

I have audited compliance with the Financial Regulations (<https://www.fownhope.org.uk/policies-and-procedures>). These Financial Regulations were adopted by the Council at its meeting held on 2<sup>nd</sup> October 2019 and approved at the Council meeting 6<sup>th</sup> May 2020.

The Financial Regulations document states regulatory requirements for financial control (accounting, budget, banking, authorisation of payment etc) and is based on a National Association of Local Councils document published in 2019. The document sets out a framework for what the Council is required to do and includes phrases “must include measures for”, “shall include procedures”, “administer in accordance with the Council’s standing orders”. I have therefore concluded that there is a requirement for documented procedures setting out how the Council achieves the requirements set out in the Financial Regulations.

Risk No 4 in the Council’s Risk Register is “Business interruption due to loss of Clerk and knowledge of systems, procedures and passwords”. I suggest that the risk is minimised if the procedures are documented. Documented procedures make it easy for new councillors to understand how the Council achieves its regulatory requirements.

My findings in detail are as follows. Paragraph numbers refer to the paragraphs in the Financial Regulations.

#### 1. General

1.11. requires a record of assets and liabilities. I was unable to find a record of liabilities.

1.12. requires the Council’s accounting control system to have three procedures - one to ensure transactions are recorded quickly, one to prevent and detect inaccuracies and fraud and one to deal with uncollectable amounts. I was unable to find these procedures.

1.12. requires identification of duties of Officers dealing with financial transactions and division of responsibilities in relation to significant transactions. I was unable to find the duties of the Responsible Financial Officer (RFO) other than the legal definition of the role in paragraph 1.9, and the Roles and Responsibilities for the Finance Working Group identified on <https://www.fownhope.org.uk/finance-group>.

#### 2. Accounting and audit (internal and external)

No non-conformities

#### 3. Annual estimates (budget) and forward planning

No non-conformities

#### 4. Budgetary control and authority to spend

4.7. requires capital works to be administered in accordance with the Council’s Standing Orders relating to contracts. I was unable to find these standing orders.

4.8. requires the RFO to regularly provide the Council with a statement of receipts and payments under each head of the budget comparing actual expenditure to budget. An improved format finance report for Parish Council meetings has been used from June 2019 which includes total receipts and payments but receipts and payments are not attributed to each head of the budget and it does not include comparison of actual expenditure to budget (under each head of the budget). However, the information is available on the spreadsheet FPC accounts for year ending 31.3.21 HT.xls, sheet Accounts.

#### 5. Banking arrangements and authorisation of payments

Since March 2020, the country has been operating under emergency measures to deal with the COVID epidemic and therefore Council meetings have been held remotely over the internet. This has required special measures for approval of expenditure. In addition, the Council has made a move away from the use of cheques to internet banking.

I have not found any documented procedures or standing orders for banking arrangements and authorisation of payments.

I have not found any irregularities in the accounts and payments appear to have been authorised.

#### 6. Instructions for the making of payments

See 5. Above

6.11. defines what is required for computer PIN and passwords. I have not found any procedures for the use of computer passwords and bank account internet identification number and passwords as part of this audit.

6.13. Documents seen indicate that back-up copies of the Council's computer files are made.

6.18. I saw no evidence that debit cards, credit cards or trade cards are used by the council. Sections 6.18 to 6.20 could be replaced with a paragraph saying cards will not be used.

#### 7. Payment of salaries

No non-conformities

#### 8. Loans and investments

8.4. requires the Council to consider the need for an Investment Strategy and Policy. The Investment Strategy is documented in the Investment Register spreadsheet but it is limited to the principles of investing. There is no Investment Policy. The Investment Advisory Group (IAG) "Constitution" is referred to in the spreadsheet but I found no evidence of a documented constitution for the IAG.

#### 9. Income

There are no documented procedures or standing orders to define how the requirements of this paragraph are to be achieved.

#### 10. Orders for work, goods and services

I have identified only one work order, that for Acer Tree Services to carry out work in Biggs Lane.

#### 11. Contracts

I have not investigated compliance with this paragraph as I believe it is intended for expenditure in excess of orders placed by the Council.

12. Assets, properties and estates

No non-conformities

13. Insurance

No non-conformities

14. Risk management

No non-conformities

15. Suspension and revision of Financial Regulations

No non-conformities

I have made recommendations for improvements to the documentation of financial control procedures.

**CONCLUSION**

It is my opinion that the accounts are accurate, correctly balanced and show that the Fownhope Parish Council has implemented a satisfactory process for financial control. I have identified improvements which can be made to Policies and Procedures documentation

**RECOMMENDATIONS**

I make the following recommendations.

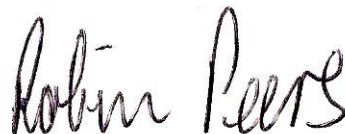
1. Review the Councillors' Code of Conduct document. Identify its source document and add the dates for the Parish Council's approval and the future date for review.
2. Review the Complaints Procedure document by adding the correct reference to the Code of Conduct document.
3. Update the link to Finance Regulations on the Parish Council website page <https://www.fownhope.org.uk/financial-reporting>.
4. Review and amend Assets Register document to include the Council's liabilities, even if there are none.
5. Prepare a new document (or documents) detailing Financial Procedures or Standing Orders and have it approved and adopted by the Council. The document(s) should give more detail applicable to how the Council organises its financial affairs in order to meet the requirements of the Financial Regulations. The Financial Procedures should include (but not be limited to)
  - a. Procedure to ensure transactions are recorded quickly
  - b. Procedure to prevent and detect inaccuracies and fraud
  - c. Procedure to deal with uncollectable amounts
  - d. Identification of duties of Officers dealing with financial transactions and division of responsibilities in relation to significant transactions (including Council's RFO, Finance Working Group members)
  - e. Procedures for capital works

- f. Procedures for approval of expenditure and making internet payments including when Council meetings are held remotely over the internet and face to face.
  - g. Procedures for the use of computer passwords and bank account internet identification number and passwords
  - h. Procedures for dealing with income and recovering VAT
  - i. Procedure for written orders (see 7 below)
  - j. Procedures to ensure the Council's computer files are backed up and secure.
6. Modify the financial report template for Council meetings to include receipts and payments listed under each head of the budget and expenditure compared with budget.
  7. Review the requirement for written orders for goods and services and incorporate any procedures in the recommended new Financial Procedures document (see 5i above).
  8. Prepare a strategy and policy document for investments which includes (but is not limited to) references to relevant regulations, proper practices and guidance; roles and responsibilities of the IAG including functional links to the Finance Working Group and hence to the Council; role of Hargreaves Lansdown and how it is managed; reporting requirements; method of ensuring compliance with the Finance Regulations paragraph 8.3 to 8.7.

I would like to thank Mrs Helen Tinson for her help supplying information for this audit.

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11 January 2021