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To: Modbury Parish Council

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Internal Audit Report for the year ending 31st March 2023

All Councils are required to implement an annual independent Internal Audit examination of its accounts, accounting processes and internal controls. The aim of this is to ascertain whether the systems of financial and other internal controls, over its activities and operating procedures, are effective. A sample system has been used, as felt appropriate for the size of the Council, to test these processes.

This report details the results of the audit which has been carried out in accordance with the requirements of the Governance and Accountability Practitioners Guide. The report may contain recommendations for Council consideration.

Standard Documentation

- Internal control systems – in place and checks are made regularly.
- Financial Regulations, Standing Orders, Code of Conduct – in place.
- Website Accessibility Statement – I have been unable to locate this required document and so I recommend that it is put in place if not already on the website.
- Royal mourning period (Sept 2022) - observed.

Public Funds

- Payment controls – in place and checks are made regularly.
- Purchase/payment documentation – items cross checked to the accounts appeared to be in order.
- VAT - requirements appear to have been adhered to although I was only able to check a limited amount of entries with the information provided. The Council is VAT registered. Care should be taken not to re-claim VAT for invoices that have not been addressed to, or paid by, the Council.
- Accounts – the general accounts appear to be in order and have been worked under the 'receipts and payments' method. The MARS committee accounts are run independently and by way of the 'income and expenditure' method. On the advice of the External Auditor, all funds are being amalgamated under the 'income and expenditure' method and last year's AGAR figures will need to be 'restated' accordingly. I was previously unaware of the difference in accounting methods due to lack of information being supplied for internal audits. I recommend that a process is put in place, as soon as possible, with regards to the regular checking of the MARS account/funds as this does not currently appear to be happening. Petty cash is involved with the MARS accounts and so this also requires a written checking process, as does the management of creditors and debtors. The auditing of the MARS accounts or petty cash have not taken place during this audit.
- Section 137 – not required as the General Power of Competence has been held.

Risk Management and Budget Control

- Risk Management Policy, Statement of Internal Control – in place.
- Annual general Insurance Policy – in place. I recommend 'cyber security' is added if not held.
- Budget – a document has been produced from which the annual precept has been set and by full Council. The outcome has been minuted appropriately.

- Reserved funds – a listing is in place.
- Meeting agendas – in place and appear to be in order. NOTE: when an extraordinary meeting is called, by either the Chairman or 2 Councillors, the agenda should be signed by that source.
- Meeting minutes – appear to be in order.
- Information Commissioners Office (ICO) – annual membership has been confirmed.
- GDPR Privacy Statement, Publication Scheme, Complaints Policy – in place.
- Freedom of Information Policy – none identified, I recommend that this is looked in to.
- Committees – in place along with relevant Terms of Reference.
- Play equipment – checked by SHDC.
- CCTV – in place along with a Policy.

Employment

- Employees - the Clerk is the only employee and a Contract of Employment is in place (not viewed).
- PAYE – dealt with ‘in house’ by the Clerk using the on-line HMRC PAYE system. The limited documentation viewed appears to be in order but I recommend that checks are made by the Council, especially with regards to tax and national insurance deductions, to confirm accuracy.
- Pension – in place and I recommend that checks are made by the Council to ensure that the correct employee and employer contributions are being made as I was unable to check this from the documents supplied.
- Salary increases and overtime – authorised and minuted.

Asset Control

- Asset Register – a listing is in place although the tabbed document I received is not easy to read. I recommend that the published version is transparent.

Banking and Bank Reconciliations

- Bank reconciliations – produced monthly and checked by the Council.
- Internet Banking – used and a checking process, for accuracy, is in place.
- Authorised signatories – currently standing at 4 (plus the Clerk) which is in order.

Year End

- Year-end 31/03/2022 - the External Auditors response, with regards to moving the accounts to an Income and Expenditure basis, has been actioned. No variance form can be found on the website and as this is a requirement I recommend that it is addressed.
- Public Rights 2022 – the correct process has been used.
- Year-end 31/03/2023 - the Clerk is currently dealing with this year’s audit requirements. The AGAR figures match that of the bank reconciliation but I have not been able to view the bank statements to complete those checks so I recommend that this is done by the Council prior to signing off the AGAR documentation.

Summary

I conclude that Modbury Parish Council has used proper practices during the past financial year, has good systems of internal control in place and has regularly checked the general finances of the Council. I recommend that processes are put in place for the regular checking of the MARS Committee finances as these fall under the responsibility of the Council. Other recommendations have been noted within this report which, if actioned, will further support the lowering of risk to the Council.

Alison Marshall May 2023

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