

GREAT MOULTON PARISH COUNCIL

Review of the effectiveness of Internal Control

Introduction

Regulation 4 of the Accounts and Audit Regulations imposes a duty on local councils to ensure “that the financial arrangements of the body is adequate and effective and that the body has a sound system of internal control”. Local councils are required, at least once a year, to conduct a review of the effectiveness of its system of internal control.

An effective system of control has three elements

Identification of the Potential Risk (Risk Management) 2. Controls of Procedures in place to mitigate the risks identified (Control Systems) 3. System for testing the adequacy of internal controls (Internal Audit).

1. Risk Management

The Parish Council undertakes a Financial Risk Assessment on a yearly basis.

The Asset Register has been inspected and is up to date as at the date of this report. As the Parish Councils insurance policy is due for renewal in September the Asset Register was also reviewed regarding any items covered against the excess payable. ***The excess payable on the current policy is £100 so it is recommended the following items be removed from the insurance schedule due to their replacement value:***

3 x Dog bins valued at £255 – new dog bins can be purchased for less than £100

1 x Refuse bin – listed with a value of £100 but stated not currently in use and the whereabouts of this item is unknown

1 x Printer valued at £129 – the replacement cost is negligible against this value

The following item will require a resolution from the Council but is also a recommendation for removal from the insurance schedule:

3 x Grit bins valued at £672 – new grit bins cost in the region of £90-£150 dependent on the size

The red telephone box that houses the defibrillator was purchased from BT for £1 and is listed on the Asset Register as such. Replacement of the telephone box if it were significantly damaged is a question that needs to be answered as it is not known how easy it would be to obtain another or if it would even be possible. The Clerk agreed to ascertain if the telephone box is a listed box.

All other items on the Asset Register are in order as at the date of this report.

Following a meeting with the Clerk it was established there are a few items in the village that the Parish Council may or may not be responsible for and she agreed to investigate. These items are:

The War Memorial – situated in the churchyard – initial investigation revealed the War Memorial is Grade II listed but responsibility for upkeep was not established

The Via Beta shelter and bench – situated in the churchyard

The Clerk would also ascertain if there are Commonwealth War Graves in the churchyard as the Parish Council would be responsible for the upkeep of these.

At its meeting of 24 June 2021, the Parish Council agreed to purchase a new lockable notice board for the village and this report noted the current notice board is now not fit for purpose and should be removed for safety reasons as soon as practicable.

The Parish Council did not have a Retention of Documents statement – this has now been produced and it is recommended that old, signed minute books be archived as soon as possible for safety and insurance reasons. The Clerk will contact Norfolk Records Office to ascertain if they will accept the minutes for archiving.

On checking the Councils current insurance policy, the following information was confirmed:

Public Liability Cover - £10m

Employers Liability Cover - £10m

Fidelity Cover - £250,000

At present there does not appear to be any cover for GDPR, and the Clerk will investigate this when approaching insurance companies and brokers in readiness for the new policy in September 2021.

2. Control Systems

The Parish Council banks with Barclays Bank and whilst the Clerk maintains the chequebook the statements are currently sent to a Councillor. The Clerk is attempting to change this.

There are three signatories on the bank account of which any two must sign each cheque.

Cash Book/Bank Reconciliations

- The cash book is kept electronically, maintained up to date from original documents.
- The cash book is reconciled to the bank statement monthly.
- Budget is reported to every Parish Council meeting.
- All payments are reported at each Parish Council meeting before they are made. Unless the RFO has dispensation to make the payment outside the meeting, in which case it will be reported at the first meeting after the payment was made.

Payment Controls

- Payments are listed in cheque number order in the cash books and in account files.
- All invoices for payment are listed and presented at the council meeting the expenditure is to be authorised for payment.
- All original invoices are available to the parish councillors signing the cheques.

It is recommended that all cheque stubs and invoices are initialled by two Councillors when payment is made.

VAT Repayment Claims

- The RFO ensures that all invoices are addressed to the Parish Council
- The RFO maintains a VAT account to show that the correct amount of VAT is reclaimed.

The Internal Audit Report highlighted the fact that VAT had not been claimed for two years. As at the date of this report a claim has been made to HMRC and the Parish Council awaits a refund of VAT paid.

Income Controls

- The RFO ensures that the amount of the precept received is correct in accordance with the precept requested from the District Authority.
- The RFO ensures that the precept instalments are received when due.

Payroll Controls

The Clerk took up her position on 1 May 2018 and was issued with a NALC standard contract for Clerks. The meeting with the Clerk established the following:

The Clerk does not appear to be on an established grade or scale point and on commencement of employment was told she would be paid £10 per hour.

The Clerk has been asked but does not wish to be auto-enrolled in a Pension Scheme.

It is therefore recommended the Clerk be placed on Grade 1/Grade 2 with associated points of 6-9.

From 1 April 2020 this equates to the following:

<i>Scale Point 6</i>	<i>£19,698 per annum</i>	<i>£10.21 per hour</i>
<i>Scale Point 7</i>	<i>£20,092 per annum</i>	<i>£10.41 per hour</i>
<i>Scale Point 8</i>	<i>£20,493 per annum</i>	<i>£10.62 per hour</i>
<i>Scale Point 9</i>	<i>£20,903 per annum</i>	<i>£10.83 per hour</i>

From April 2018 to the present time the Clerk has not received any pay increases and has not had any form of appraisal undertaken.

The Internal Audit Report for the year 2020/2021 also stated that no PAYE system was in place as well as no payslips being issued to confirm pay details each month.

RECOMMENDATIONS TO BE AGREED BY PARISH COUNCIL:

- 1. The Clerk should have a yearly appraisal carried out by the Chair and Vice-Chair. If her work is found to be good to excellent then approval for an incremental increase be approved until she reaches the top of her grade.***
- 2. The grade and scale points as above are recommended with her being placed on Scale Point 7 with immediate effect and backdated to 1 April 2020. Backpay should be calculated for her hours worked in the financial year 2020/2021. Any cost-of-living increase will be paid at the appropriate time and an appraisal will be carried out prior to the end of the financial year.***
- 3. The Clerk is currently in the process of setting up Basic Tools from HMRC and I have agreed to help her with any problems with its setting up and back payments if required.***

Office and Clerks expenses

- Expenses are paid by cheque and the expense summary treated as an invoice for accounting purposes. Mileage is paid with salary each month.

Asset Control

- The RFO maintains a full asset register – (see under Risk Management for details).

Other

Further recommendations:

- ***That all Parish Councillors Register of Interest Forms are made accessible via the Parish Council website***
- ***That an Annual Report be produced by the Parish Council at the end of each financial year and delivered to all households in the village***

3. Internal Audit: (of which there are 5 areas to consider)

Scope: The Internal Audit covers the internal control processes identified by the Parish Council as well as matters related to the Annual Return.

Independence: The Internal Auditor has direct access to the RFO and reports in their own name to the Council. The auditor has no other role within the Council and the reporting is unbiased and objective.

Competence: The internal audit is carried out by an accredited accountancy firm or self-employed auditor.

Relationships: The Clerk is consulted on the internal audit arrangements.

Review of the effectiveness of the system of Internal Audit

The Internal Auditor has access to the Parish Council's documentation of its internal control processes, financial risk assessment, health and safety risk assessments, insurance schedule, asset register, Standing Orders, Financial Regulations, Accounts and policies, as well as to previous Annual Returns and relevant information. These inform the internal audit. The internal audit is an opportunity for discussion about new developments in the audit service, risk management and corporate governance.

The internal audit is relevant for the completion of the Statement of Assurance at Section 1 of the Annual Return as well as being essential to the completion of the Annual Internal Audit Report.

The Report is reviewed by the next Parish Council meeting and any necessary actions resolved.

The Report provided for the year 2020/2021 highlighted the issues of reclaiming of VAT and instigation of a PAYE system.

The Parish Council reviewed the Internal Audit report at its meeting of 24 June 2021 and took both points on board. One issue has now been rectified and the other is currently being processed.

This report was prepared by Councillor and Vice-Chair Carol A Bailey BA (Hons) CiLCA in conjunction with the Clerk and all the associated documentation.

Signed: *Carol A Bailey*

Dated: 8 July 2021