**Merton Parish Council**

Internal Audit Report

For Merton Parish Council

Financial Year 2019/20

Including Explanatory Notes for Annual Governance and Accountability Return

(where a ‘no’ has been marked on page 4)

Prepared by M Bergin, 29 May 2020

I have completed an internal audit of the accounts for Merton Parish Council for the year ending 31 March 2020.

My findings are detailed below using the tests provided in the **Governance and Accountability for Smaller Authorities in England March 2018.**

**I would like to thank the Clerk/RFO for providing me with all the information required for the Internal Audit.**

| **Internal control** | **Test** | **Observations** |
| --- | --- | --- |
| Proper bookkeeping | Is the cashbook maintained and up to date? | Yes - spreadsheet |
| Is the cashbook arithmetically correct? | Yes |
| Is the cashbook regularly balanced? | Yes |
| Standing Orders, Financial Regulations and payment controls | Has the council formally adopted Standing Orders and Financial Regulations? | Yes |
| Date Standing Orders last reviewed | There is no evidence of any review – see notes. |
| Date Financial Regulations last reviewed | May 2018 – these need an annual review – see notes. |
| Has a Responsible finance officer been appointed with specific duties? | Yes |
| Have items or services above the de minimus amount been competitively purchased? | Yes |
| Are payments in the cashbook supported by purchase orders, invoices, authorised and minuted? | Yes |
| Has VAT on payments been identified, recorded and reclaimed? | Yes |
| Is s137 expenditure separately recorded and within statutory limits? | No expenditure – there is no provision in the cashbook . |
| Have S137 payments been approved and included in the minutes as such? | No expenditure |
| Risk management arrangements | Does a review of the minutes identify any unusual financial activity? | No |
| Do minutes record the council carrying out an annual risk assessment or review of their risk management scheme? | Yes – May 2019 minute 842. |
| Is insurance cover appropriate and adequate? | Yes |
| Are internal financial controls documented and regularly reviewed? | Yes |
| Budgetary controls | Has the council prepared an annual budget in support of its precept and has this been minuted as being approved? | Yes – January 2020 minute 885 |
| Has the precept been calculated from the budget and been approved? | Yes |
| Does the budget include an actual completed year? | No – see notes. |
| Is actual expenditure against budget regularly reported to the council? | Yes |
| Are there any significant unexplained variances from budget? | No |
| Income controls | Is income properly recorded and promptly banked? | Yes – but see notes. |
| Does the precept recorded agree to the Council Tax authority’s notification? | Yes |
| Are security controls over cash and near-cash adequate and effective? | Yes |
| Petty cash procedures | Is all petty cash spent recorded and supported by VAT invoices/receipts? | Not applicable |
| Is petty cash expenditure reported to each council meeting? | Not applicable |
| Is petty cash reimbursement carried out regularly? | Not applicable |
| Payroll controls | Do all employees have contracts of employment with clear terms and conditions? | Yes |
| Do salaries paid agree with those approved by the council? | Yes |
| Are salaries above the National Living Wage/Minimum Wage? | Yes |
| Are other payments to employees reasonable and approved by the council? | Yes |
| Have PAYE/NIC been properly operated by the council as an employer? | Yes – due to be put in place as soon as possible. |
| Asset controls | Does the council maintain a register of all material assets owned or in its care? | Yes |
| Are the assets and Investments registers up to date? When were these last reviewed? | Yes –May 2019 minute 828 |
| Do asset insurance valuations agree with those in the asset register? | Yes |
| Bank reconciliation | Is there a bank reconciliation for each account and is this reported to council? | Yes |
| Is a bank reconciliation carried out regularly and in a timely fashion? | Yes |
| Are there any unexplained balancing entries in any reconciliation? | No |
| Is the value of investments held summarised on the reconciliation? | No investments |
| Year-end procedures | Are year-end accounts prepared on the correct accounting basis (Receipts and Payments or Income and Expenditure)? | Yes |
| Do accounts agree with the cashbook? | Yes |
| Has a year-end bank reconciliation been undertaken? | Yes |
| Is there an audit trail from underlying financial records to the accounts? | Yes |
| Where appropriate, have debtors and creditors been properly recorded? | Yes |
| Procedural | Is eligibility for the General Power of Competence properly evidenced? | Not applicable. |
| Have points raised on the last Internal Audit report been considered by council and actioned? | Yes |
| Transparency: For smaller councils with turnover under £25,000 | Minutes for whole year on website? | Yes |
| Agendas for whole year on website? | Yes |
| Payments over £100 detailed on website? | Yes – via minutes of meetings. |
| Electors’ rights advertised on website? | Yes – part of the AGAR for each financial year. |
| Councillors’ responsibilities detailed on website? | Not applicable |
| Last financial year’s Annual Return on website? | Yes |
| Land and building assets details on website? (Description, location, owner/leaseholder, date and cost of acquisition and present use) | Yes |
| Burial Authorities only | Are fees levied in accordance with the Council’s approved scale of fees and charges? | Not applicable |
| Have fees for the cemetery been reviewed and agreed by Council? | Not applicable |
| Were comparisons made with other cemeteries prior to setting the fees? | Not applicable |
| Have burial books been kept up to date and are they safely stored? | Not applicable |
| Allotments | Has a list of allotment holders with amounts paid to Council been submitted? | Not applicable |
| Have fees for the allotments been reviewed and agreed by Council? | Not applicable |
| Councils with charities only | Have Charities reported and accounted separately? | Not applicable |
| Have the Charity accounts been independently audited? | Not applicable |
| Have the Charity accounts and Annual Return been filed within the legal time limit? | Not applicable |

**Summary of my recommendations:**

**This audit was carried out online and via email as recommended by SLCC during the Covid 19 pandemic and there was no face to face visit. In addition to the website, documents provided included the cash book, and all pages of the 2019/20 AGAR.**

**Model standing orders are used but there is no evidence of any review. They should be reviewed every three years, the review by council minuted and the date of review and the date for the next review annotated on the last page of the standing orders.**

**Financial regulations were last reviewed in May 2018 – they should be reviewed annually and the review by council minuted and appropriate dates annotated on the last page of the regulations.**

**There was no S137 expenditure – but I note there is no place in the cashbook for such expenditure – there should be a separate column for S137 money out even though there may never be such expenditure. I note also in the minutes (January 2020) that cheque 100247 appears twice – for anglian water and for the parish clerk – the anglian water payment was an on line payment.**

**I have been assured that payment arrangements with HMRC will be put in place and operated by the council as an employer – accordingly I have given positive answers to all payroll questions. It is essential that formal arrangements are introduced without delay. I understand this problem arises due to there being no paid employee of the council until the recent recruitment of the clerk.**

**I recommend that some form of receipts pad be kept to record receipts for the village hall account – the original can be used to support the receipt of donations etc and the duplicate remain in the pad.**

M Bergin 29 May 2020

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Signed Date