

*The Hollies, Great Asby, Appleby, Cumbria CA16 6HD*

'phone: (017683) 53433

email: johnbevan@compuserve.com

6 November 2018

To: The Clerk to Asby Parish Council  
**for the attention of Asby Parish Council**

**Internal Audit 2018-19**

I have just carried out my half-yearly check of the Council's accounts & procedures etc for the financial year 2018-2019. In accordance with the agreed plan of work:-

(a): I have checked the Council's account balances and bank reconciliation: and I have examined a very small sample of transactions and the related paperwork. I have also reviewed the Clerk's revised & updated system of spreadsheets. The records are entirely satisfactory. In addition, I noted the acceptance of the Council's claim for exemption from external audit in respect of the year 2017-18.

(b): In connection with the Council's take-over of responsibility for some street lighting from Eden District Council, I discussed with the Clerk the relevant changes to the Council's Asset Register (in particular, the relevant asset values), and the necessary changes to the Council's insurance arrangements (already made). These appear to be appropriate.

(c): I understand that a question has arisen – both in Asby and elsewhere - as to the correct procedure for the approval of the minutes of the Council's Annual Meeting. For a variety of reasons (publication of the record; taking action on relevant decisions; etc) these should be approved by the next following ordinary meeting of the Parish Council. They should then, in due course, be presented to the next following Annual Meeting (*i.e.* in about a year's time), and be received by that meeting – a process which allows for challenge should that be thought necessary.

(d): I am aware of some continuing problems with the practicalities of making the changes agreed in respect of the Council's banking arrangements, but understand that sorting these out is in hand. However, in connection with the making of these changes, the Clerk asked me to review the Council's Financial Regulations again. I have attached a separate note for the Council's attention, which makes several **recommendations**.

(e): In connection with my review of the Financial Regulations, I checked with the Clerk the Council's practice in respect of the storage of (physical) documents, and the practice in respect of the storage and back-up of material held on the Council's computer (and on-line/'in the cloud'). I think that these arrangements are broadly satisfactory at present, although the security of paper documentation is not yet as good as it should be.

(f): The Clerk has also indicated that he thinks that the Council's practice in respect of GDPR observance might benefit from further consideration. I have marked this down for future discussion with him.

There are no other items that I need to bring to the Council's attention.



John Bevan

## ***Addendum to the half-yearly report to Asby Parish Council – in re the Council's Financial Regulations***

The Clerk asked me to review the Council's Financial Regulations, with particular reference to the changes currently in hand in respect of the Council's banking arrangements. I agree with his assessment that no specific alterations to the Regulations are required in order to manage those changes, or to operate the Council's banking, receipts & payments, etc, properly when the changes have been made.

However, since the Council is required to review its financial management practices annually both as a matter of good practice and in order to make its AGAR return, I have looked again at the Regulations somewhat more widely. The current Regulations are almost a word-for-word copy of the model regulations provided by NALC, and there are good reasons for adopting the model [*standard procedures, public confidence, etc*]. But the Council is already aware of the extent to which for [very] small authorities the model does not quite fit – the most obvious example being the implicit assumption throughout the model regulations that the posts of Clerk and RFO [Responsible Financial Officer] are held by different individuals. A very particular example arises in respect of clauses 7.4 & 7.5 of the Council's current Regulations – it is simply not possible to maintain a confidential cash book in respect of employees' salaries etc and to report the totals of salary etc payments publicly at every Council meeting!

I do not suggest that the Council should try to modify the Regulations in fine detail in order to meet its very particular circumstances, but I do **recommend** that on each occasion on which the Council reviews its Regulations it should explicitly minute its awareness of the fact that it has chosen to operate under standard [and recommended] Financial Regulations which do not and cannot quite meet the circumstances of the Council.

I turn now to a small number of specific aspects of the Regulations which require attention:-

**Clause 2.2:** *On a regular basis, at least once in each quarter, and at each financial year end, a member other than the Chairman shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the Council.*

This is not how the Council manages this aspect of its business at the moment, and I **recommend** that – in this case – the Council should either modify its practice or change the clause.

As they stand, the Regulations require that the following review actions be undertaken periodically by the Council:-

- an annual review of its system of internal control (1.5); must be done prior to approving the AGAR, by implication includes the Regulations themselves – see below*
- a review of its Bank mandate(s) (1.14); periodic*
- a review of the salary budget (4.4); at least annually in August*
- a review (and approval if continued) of all variable Direct Debit payments (6.7); at least once every two years*
- a review (and approval if continued) of all Standing Order payments (6.8); at least once every two years*
- a review (and approval if continued) of the use of BACS or CHAPS payments (6.9); at least once every two years*
- a review of all fees & charges (9.3); at least annually*
- verification of the Asset Register (13.6); at least annually*
- a review of the Risk Register and risk management arrangements (15.1); at least annually*
- a review of the Financial Regulations themselves (16.1); periodically*

Although this seems at first sight a formidable list, it need not be so. With the exception of the salary review (the timing of which is specified), and because some of the reviews must be done towards the end of the financial year not too long before the AGAR is completed, I **recommend that** (notwithstanding that some reviews are not required annually) **all these items appear on the Council's agenda for review at its first ordinary meeting in each calendar year.**