BASIS OF REPORT

As part of its annual governance review to prepare it annual governance statement, an authority needs to scrutinise the actions it has taken during the year, and the decisions that it has made, and satisfy itself that it has acted properly within its powers and in accordance with any relevant Regulations

This internal audit report is based upon the National Association of Local Councils (NALC) recommended check-list, introduced in 2016, in conjunction with the latest edition of the Practitioners' Guide to Governance and Accountability in Local Authorities.
The scope of this internal audit is focused on assessing the effectiveness of the Council's internal controls. Where any such controls are found to be deficient, the internal audit will help lead to improvement in those processes.

NB: It would be incorrect to view internal audit as the detailed inspection of all records and transactions of the Council in order to detect error or fraud. It is the periodic independent review of a Council's internal controls resulting in an assurance report designed to improve effectiveness and efficiency of the activities and operating procedures under the Council's control. Managing the Council's internal controls should be a day-to-day function of the staff and councillors and not left for internal audit. (Source: Governance and Accountability for Local Councils-A Practitioners' Guide)

Accounts and Audit Regulations (SI 2006 No. 564), requires all local Councils to now review the effectiveness of the system of internal audit at least on an annual basis

Independence
Council members should be clear on their own responsibilities for the "protection of the public purse" and within the internal audit framework. The Council has a duty to consider the annual internal audit report and to demonstrate that consideration by inclusion in the minutes. Each item mentioned in the report should be fully addressed. There may be a need for councillor training to ensure that all members fully understand this role and budget provision should be made where necessary.

Audit Planning and Reporting
The Council should properly take account of the corporate risk i.e. controls and procedures within the Council which minimise the risk of the body not being able to function or carry out what it sets out to do.
The internal audit will comprise 2 parts done at different times of the year. The interim audit is usually done part way through the year, and is an audit of the Councils processes and procedures

The final audit is undertaken after completion of the year-end, so that balances within the accounts may be verified, the auditor will submit written reports to the Council after the interim and final audit.

During the full internal audit, the following were checked:

- Proper Accounting Procedures
- Cash book

- Financial Regulations
- Standing Orders
- Payment Controls
  - Estimates, quotes, tenders
  - Authority by the Council
  - Legal Powers
  - Approved Invoices
  - Cheque Stubs
  - VAT
  - General Power of Competence eligibility and expenditure
  - Section 137 Use (Expenditure limit £8.12 per member of Merton Population 2019-20 = £8.12 x 331 (2011 Census) (£2687.72) LGA1972 s.137 4(a)
- Risk Management including insurance
- Budgetary Controls
- Income controls
- Payroll
- Asset Control
- Bank Reconciliation
- Year End
- Governance and Safeguarding Policies of the Council

The internal auditor is appointed by and reports to the Council not the clerk/RFO.

The below summary and recommendations is to be attached to the annual return detailing the actions taken to address the weaknesses in the areas that I felt the internal control objectives were not met.

INTERNAL AUDITOR'S SUMMARY AND RECOMMENDATIONS FOR MERTON PARISH COUNCIL resulting from Internal Audit Year Ending 31st March 2020 to accompany Annual Internal Audit Report of AGAR 2019/20	
INTERNAL CONTROL OBJECTIVE (A) **Appropriate Accounting Records have been properly kept throughout the financial year**	The Annual Budget setting for 2019/29 is not fully or accurately recorded in the Minutes. No copy of the actual budget proposal document that was considered (as an agenda document) can be produced for validity and cross reference. The setting of the precept amount following approval of the budget is not minuted. The Internal Auditor cannot verify from the Minutes, what budget was Resolved and what Precept was Resolved for the forthcoming financial year. (Minutes 14th January 2019 item 61.6 Motion approved as *"The budget for 2019/20 was approved"* is the only entry with no reference to sums or precept) The budget and precept for 2020-21 was fully recorded and approved in January 2020 Minutes 11.1.20(b) so I am satisfied that the current Clerk/RFO is fully aware of the full recording of the approved budget and precept All internal auditor comments from 2018/19 have been actioned and I am satisfied that Merton PC meet Internal Control Objective A
INTERNAL CONTROL OBJECTIVE (B) This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for	I am satisfied that all internal auditor comments from 2018/19 have been actioned and steps remedied to ensure the Council comply fully with their Financial Regulations and Standing Orders. I am satisfied that Merton PC met Internal Control Objective B
INTERNAL CONTROL OBJECTIVE (C) This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these	Recommendations Carried from Internal Audit 2018-19 and Interim audit report (October 2019) have not been carried out in relation to - The Council website is controlled and updated by the Chair and the Clerk does not currently have access. **The Clerk has a duty** to place Statutory notices on the website and must ensure that the website complies with Legislation regarding Data Protection, Freedom of information and copyright. The Public Sector Bodies (Website & Mobile Applications) (No.2) Accessibility Regulations 2018 came into force 23/9/18 to allow those with disabilities to gain better access to public services by making websites more accessible. The Parish council is a body Corporate and as such an individual councillor, including the chair, cannot make a decision on behalf of the council. LGA 172 s.101a A local authority may allow for the discharge of any of their functions by a committee, sub-committee or an officer of the authority (Clerks Delegation). Control of the website should be passed to the clerk immediately, the Chair does not have delegated authority to control what is published on the council website – which increases the council's risk of damage to reputation and financial penalty – Until this matter is addressed I cannot certify that Merton PC meet Internal Control Objective C
INTERNAL CONTROL OBJECTIVE (D) The precept or rates requirements resulted from an adequate	The clerk and councillors have worked hard to address all recommendations from 2018-19 internal audit, and I am satisfied that Merton PC now meet Internal Control Objective D

budgetary process; progress against the budget was regularly monitored; and reserves were appropriate	
INTERNAL CONTROL OBJECTIVE (E) Expected income was fully received, based on correct prices, properly recorded, and promptly banked; and VAT was appropriately accounted for	I am satisfied that Merton PC meet Internal Control Objective E
INTERNAL CONTROL OBJECTIVE (F) Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for	All in order
INTERNAL CONTROL OBJECTIVE (G) Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied	All in order
INTERNAL CONTROL OBJECTIVE (H) Asset and investments registers were complete and accurate and properly maintained	The clerk and councillors have worked hard to address all recommendations from 2018-19 internal audit, and I am satisfied that Merton PC now meet Internal Control Objective H
INTERNAL CONTROL OBJECTIVE (I) Periodic and year-end bank account reconciliations were properly carried out	The clerk and councillors have addressed the recommendations from 2018-19 internal audit, and I am satisfied that Merton PC now meet Internal Control Objective I
INTERNAL CONTROL OBJECTIVE (J) Accounting statements prepared during the year were prepared on the correct accounting basis, agreed	Merton PC adopted an Internal control policy, risk assessment and Internal Audit policy during 2019-20 therefore, I am satisfied that during the past financial year they have met Internal Control Objective J

to the cash book supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded	
INTERNAL CONTROL OBJECTIVE (K) **IF the authority certified itself as except from a limited assurance review in 2018/19, it met the exemption criteria and correctly declared itself exempt**	Not applicable

Merton Parish Council needs to have appropriate evidence to support a 'Yes' answer to an assertion, for example a reference in a set of formal minutes. If an authority is not able to respond 'Yes' to any assertion, it needs to provide an explanation to the external auditor on a separate sheet describing how the authority will address the weaknesses identified. These explanations must be published along with the completed AGAR.

INTERNAL AUDITOR'S SUMMARY AND RECOMMENDATIONS FOR MERTON PARISH COUNCIL resulting from Internal Audit Year Ending 31st March 2020 in relation to Section 1 – ANNUAL GOVERNANCE STATEMENT of AGAR 2019/20	
ASSERTION 1 **We have put in place arrangements for the effective financial management during the year, and for the preparation of the accounting statements in accordance with the Accounts and Audit Regulations**	**I have no areas of concern with regards to Assertion 1**
ASSERTION 2 **We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness (*made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge*)**	**I have no areas of concern with regards to Assertion 2**

ASSERTION 3 **We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances *(has only done what it has the legal power to do and has complied with Proper Practices in doing so)***	**Whilst the Chair controls the website and its contents, the council are operating outside 'proper practices' and the 'council is not acting within its powers'** because the Chair does not have delegated authority to control what is published on the council website – which increases the council's risk of damage to reputation and financial penalty The Parish council is a body Corporate and as such an individual councillor, including the chair, cannot make a decision on behalf of the council. LGA 172 s.101a A local authority may allow for the discharge of any of their functions by a committee, sub-committee or an officer of the authority (Clerks Delegation).
ASSERTION 4 **We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations**	**I have no areas of concern with regards to Assertion 4**
ASSERTION 5 **We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risk, including the introduction of internal controls and/or external insurance cover where required**	**Other than the website, I am satirised that Merton PC Risk assessment procedure is adequate**
ASSERTION 6 **We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems**	**I have no areas of concern with regards to Assertion 6**
ASSERTION 7 **We took appropriate action on all matters raised in reports from internal and external audit**	**Other than the website, I am satisfied that Merton PC have successfully carried out all of the internal and external recommendations from 2018-19**
ASSERTION 8 **We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements**	**I have no areas of concern with regards to Assertion 8**

Any further comments/Recommendations

RECOMMENDATIONS

1. **HGH PRIORITY – The Parish website control and updating should be handed over the Clerk from the Chair to ensure compliance with Statutory Duties, Proper Practices and the Council acting within its powers** (Carried from May 2019 Internal Audit and October 2019 Interim Internal Audit)
2. **HIGH PRIOROITY - The grant awarded to Churchyard Committee (May 2019) may not be lawful and I would recommend that the Clerk and Council read the latest legal topic note published from NALC** on this subject before awarding a grant during 2020

Merton Parish Council have made significant gains during the last 12 months and the Clerk and Councillors are to be congratulated.

AUDITOR	MELANIE BICKELL	MELANIE BICKELL
Signed		
Audit Type (delete as appropriate)	INTERIM	ANNUAL
Date	October 2019	31st May 2020
AGAR completed and signed		

1 GOVERNANCE – KEY POLICIES AND PROCEDURE DOCUMENTATION

	Description	Date Ratified	Minuted	Published on website	Review date	RECOMMENDATIONS/COMMENTS
1.1	Standing Orders	✓	✓	✓	✓	
1.2	Financial Regulations	✓	✓	✓	✓	
1.3	Code of Conduct	✓	✓	✓	✓	
1.4	Risk Management	✓	✓	✓	✓	
1.5	Internal Control	✓	✓	✓	✓	
1.6	Scheme of Delegation	✓	✓	✓	✓	
1.7	Council Insurance	✓	✓	✓	✓	
1.8	Publication Scheme/FOI	✓	✓	✓	✓	
1.9	Terms of Reference for all Committees	N/A				
1.10	Anti-Fraud & Corruption	✓	✓	✓	✓	
1.11	Internal Audit	✓	✓	✓	✓	
1.12	Data Protection	✓	✓	✓	✓	
1.13	Privacy statement	X	X	✓	✓	
1.14	Information Retention	✓	✓	✓	✓	
1.15	Use of Own Device/email	✓	✓	✓	✓	
1.16	Removable Media	✓	✓	✓	✓	
1.17	Social Media	N/A				
1.18	Complaints Procedure	✓	✓	✓	✓	
1.19	Confidential Reporting Procedure	✓	✓	✓	✓	

1.20	Equality & Diversity	✓	✓	✓	✓	
1.21	Disciplinary and Grievance	✓	✓	✓	✓	
1.22	Health & Safety	✓	✓	✓	✓	
1.23	Lone Working	✓	✓	✓	✓	
1.24	Training	✓	✓	✓	✓	
1.25	Grants & Donations					The Council do not have a grants/donations policy, but does award grants and donations (Minutes May 2019) In interests of openness, transparency and fairness, I would recommend that council adopts a policy to ensure all applications for grants/donations are equally assessed. The grant awarded to Churchyard Committee (May 2019) may not be lawful and I would recommend that the Clerk and Council read the latest legal topic note published from NALC
1.26	Reserves					
1.27	Councillor Register of Interests	✓	✓	✓	✓	
1.28	Asset Register	✓	✓	✓	✓	
1.29	Declaration of Interests Register					All in order
1.30	Resolution Register					Clerk has good system of recording council decisions
1.31	Planning Register					
1.32	Cemetery Policy	N/A				

2 BOOK-KEEPING/ACCOUNTING – In accordance with Governance & Accountability Guidance

Procedure	Y/N	Comments and Recommendations
2.1 Ledger/Cash Book	Y	
2.1.1 Headings representative of budget heads, maintained and up to date	Y	
2.1.2 VAT recorded correctly	Y	
2.1.3 VAT reclaimed correctly	Y	
2.1.4 S137/GPC payments recorded separately	Y	
2.2 Payments		
2.2.1 Purchase order number raised for each item	Y	
2.2.2 Ledger entries correct	Y	
2.2.3 Supported by invoice which is verified by RFO and signed by 2 councillors	Y	
2.2.4 Budget head, power for expenditure recorded on invoice/ledger	Y	
2.2.5 Minutes when expenditure first approved recorded on invoice/ledger	Y	
2.2.6 Minutes where actual expenditure reported to council identified	Y	
2.3 Receipts		
2.3.1 Recorded correctly in cash book ledger	Y	
2.3.2 Supported by remittance paperwork	Y	
2.3.3 Budget head identified	Y	
2.3.4 Minuted	Y	
2.3.5 Assigned receipt reference number	Y	
2.4 Bank Reconciliation		
2.4.1 Produced monthly or for each Parish Council Meeting	Y	
2.4.2 Checked by Councillors	Y	
2.4.3 Signed and Minuted	Y	
2.5 Banking/Cash Handling		

2.5.1 Online banking approved and incorporated into Standing Orders and Financial Regulations	Y	
2.5.2 Banking Procedure periodically reviewed	Y	
2.5.3 Signatory lists maintained and approved	Y	
2.5.4 Appropriate cash flow procedure	Y	
2.5.5 Reserves maintained in separate bank account and correctly identified	Y	
2.5.6 Bank Statements received by RFO	Y	
2.5.7 Cash Handling Procedure adequate and risk assessed	Y	
2.5.8 Petty cash procedures adequate	N/A	
2.6 Year-End Procedure		
2.6.1 Last Internal Audit comments actioned	Y	Except website
2.6.2 Last External Audit comments actioned	Y	
2.6.3 Year-end bank reconciliation checked and signed by Chair and Minuted and published on council website under Transparency Code if applicable	Y	
2.6.4 Year-end accounts prepared on correct accounting basis	Y	
2.6.5 Year-end asset register approved and signed and Minuted	Y	
2.6.6 Year-end bank statements and ledgers/cash book reconciled and signed by Chair and Minuted	Y	
2.6.7 Significant Variances adequately explained and Minuted and published on council website under Transparency Code if applicable	Y	
2.6.8 Section 1 of AGAR – Annual Governance Statement signed, resolved, individually minuted and published on website	Y	
2.6.9 Section 2 of AGAR – Accounting Statements signed, resolved, individually minuted and published on website	Y	
2.6.10 Notice of Exempt Authority Resolved, minuted and published on website	N/A	

2.6.11 Notice of Public Inspection period Minuted and published on website	**Y**	
2.6.12 Internal auditor report published on website	**Y**	
2.6.13 Internal Auditors report accepted by council and minuted	**Y**	
2.6.14 All expenditure in excess of £100 published on website	**Y**	

3 DUE PROCESS

Procedure		Y/N	Comments/Recommendations
3.1	Agendas clear, informative, signed, published accordingly and on website	**Y**	
3.2	Agenda supporting documents published on website	**Y**	
3.3	Minutes referenced, clear, informative, signed front and last page, with remainder pages initialled, and published as a draft within 28 days of meeting, with replacement by approved minutes following next pcm	**Y**	July 2019 Minutes on website are still Draft
3.4	All expenditure and receipts correctly Minuted with Authority for expenditure identified	**Y**	July 2019 - 9.7.19 c – the power to incur the expenditure for the playground committee new sign request has not been identified, nor has the budget for the funds to be taken from, ditto 14.7.19 b – 2 items of expenditure authorised but no record of power or source of funding in the minutes
3.5	All estimates/quotations/tenders for contractors/works in accordance with Standing Orders and Financial Regulations	**Y**	
3.6	Authority for emergency expenditure by the Clerk incorporated into Standing Orders and Financial Regulations	**Y**	
3.7	All contractors provide proof of public liability insurance cover of £5 million	**N/A**	No external contractors
3.8	Council Annual Planner/Annual Action Plan up to date	**N/A**	
3.9	Annual Parish Meeting held between March and June	**Y**	
3.10	Annual Parish Council Meeting held in May (or within 14 days of councillors taking office in an election year)	**Y**	
3.11	Council working groups/committees' roles and responsibilities of Councillors on website and up to date with approved terms of reference if applicable	**Y**	
3.12	All Councillor contact details available on website	**Y**	
3.13	Clerk full contact details available on website along with working hours	**Y**	
3.14	Annual Asset Inspection Carried out with report to full council	**Y**	
3.15	Parish Council Website accessible, privacy statement and uploaded with all statutory documents and in compliance with Freedom of information Act and Transparency Code	**Y**	Recommendations from 2018-19 Internal audit and 2019-20 interim audit – not actioned

		27) Recommendation that the website is delegated to the authority of the Clerk with appropriate safeguarding procedures in place due to unforeseen absence of the clerk **28) The website is currently shared and does not comply with The Public Sector Bodies (Website & Mobile Applications) Accessibility Regulations 2018 and I recommend that the council upgrade their website to ensure compliance**
3.16 Grant applications approval correct power used	**N**	Recommend that NALC Legal Topic Note with regards to grants/donations to church/churchyards is considered as a priority to ensure the Council are operating lawfully in giving annual grant to the Churchyard

4 RISK MANAGEMENT

Procedure	Y/N	Comments/Recommendations
4.1 Annual Risk Assessment carried out and reported to full council	Y	
4.2 Internal control policy updated to reflect risk assessment, internal audit and external audit comments/recommendations and other relevant factors	Y	
4.3 Council Insurance adequate	Y	
4.3.1 Assets correctly valued and covered	Y	
4.3.2 Public Liability Insurance	Y	
4.3.3 Employer Liability Insurance	Y	
4.3.4 Fidelity Guarantee	Y	
4.3.5 Data Protection Cover	Y	
4.3.6 Clerk Working from home	Y	
4.3.7 Personal accident cover for clerk/members/volunteers	Y	
4.3.8 Annual Review carried out	Y	
4.4 Mileage claims supported by evidence and appropriate insurance cover	Y	
4.5 Digital backup of council data carried out and stored effectively	Y	
4.6 Review of Employees/Members training requirements with regards to refresher training (GDPR)	y	In hand, sourcing GDPR refresher training

5 BUDGET

Procedure	Y/N	Comments/Recommendations
5.1 Annual Budget approved and minuted with signed approved copy	**Y**	
5.2 Precept Demand in accordance with approved budget, approved and minuted	**Y**	
5.3 Reserves legitimately held, correctly identified earmarked/restricted, at an appropriate level and minuted	**Y**	
5.4 Budget expenditure reported to full council at least quarterly with any predicted overspends highlighted and council approvement of virements or reallocation of reserves prior to expenditure being incurred	**Y**	
5.5 Budget cross checked with cash book/ledgers	**Y**	

6 STAFF

Procedure	Y/N	Comments/Recommendations
6.1 Contract of employment issued	Y	
6.2 Appointment of Clerk/RFO and salary approved and Minuted	Y	
6.3 Clerk/RFO reimbursed for working from home in accordance with HMRC guidelines		Clerk is not claiming the HMRC allowance but is aware that she is entitled to do so, but is being reimbursed by Merton PC
6.4 Clerk/RFO reimbursed for business mileage incurred away from place of work (home address) at approved amount per mile as casual user	Y	
6.5 Who carries out payroll		Clerk – use of PAYE
6.6 Payslip issued	Y	
6.7 Overtime, mileage, expenses, reimbursements authorised and evidenced	Y	
6.8 PAYE/NI/IT evidence	Y	
6.9 Line manager	Y	
6.10 Annual Appraisal arrangements in place to include annual pay progression	Y	
6.11 Clerk Training/mentoring in place	Y	

7 TRANSACTION SPOT CHECKS - Various carried out all in order

	Invoice	Invoice	Invoice	Invoice	Receipt	Receipt
Purchase/Receipt number						
Purchase approval minutes reference						
Payment minutes ref						
Powers used						
Budget Heading						
Cheque Number/ Paying in ref						
Bank Statement no. & cross referenced						
VAT recorded						
VAT reclaimed						