

# **GOLDHANGER PARISH COUNCIL**

## **REPORT ON INTERNAL AUDIT FOR 2019/20**

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**Internal Auditor**

**May 2020**

## INTRODUCTION

A smaller authority such as Goldhanger Parish Council is required by Regulation 5(1) of the Accounts and Audit Regulations 2015 to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.' These auditing standards and guidance have been set out in 'Governance and Accountability for Smaller Authorities in England' published in March 2020 and available on the NALC website. My internal audit review of the Parish Council's financial affairs for 2019/20 was guided by these documents and the requirements of the Annual Internal Audit Report that forms part of the Annual Governance and Accountability Return for the Council.

I would like to thank Miss Vysian Banyard, Clerk and Responsible Financial Officer to the Council, for her assistance.

## FINDINGS

From the work carried out there are a number of findings that should be considered by the Council. The most significant are highlighted below with more details in the Appendices.

1. A spreadsheet is used to record the financial transactions of the Council through the year. A financial statement and bank reconciliation are presented to the Council at its monthly meetings. The financial statement includes VAT in the costs against individual headings which inflates these figures. Year end accounts have been prepared on a receipts and payments basis which is appropriate for a council of this size. They agreed with the cash book and the audit trail was adequate.
2. Revised Financial Regulations based on the latest model available from NALC were adopted by the Council at its meeting in May. There is no record of any review of Standing Orders.
3. At its meeting in January the Council discussed a draft budget for 2020/21 and various projects that might be undertaken. The precept was agreed but the budget was not agreed then. There is no record of the budget for 2020/21 ever being agreed. Without an agreed budget theoretically no expenditure can be incurred.
4. The Clerk's salary was approved by the Council each month, an increase being agreed in May. PAYE and NI requirements were properly applied. No allowances were paid to Councillors.
5. A Risk Assessment document was agreed by the Council at its meeting in September 2018 but there is no record of their being reviewed during the year.
6. There is no record of the charge for allotment rents being reviewed in the year.

7. An updated register of community assets was prepared in March 2020 reflecting the purchase of a new padlock for the allotments and 4 replacements dog-waste bins. Although the old padlock was removed from the list no dog-waste bins were.
8. The certificate of exemption from a limited assurance review and the notice of public rights to review the accounts for 2018/19 were correctly completed and displayed on the Council's website.
9. The Council's new website includes most of the information required under the Transparency Code for Smaller Authorities 2014. At the time of the audit at the end of April, however, the minutes of the March meeting had not been posted nor the list of community land and building assets.

## RECOMMENDATIONS

With reference to the above findings I recommend that the Council agree actions to address the following issue:-

1. A process should be found to agree the Budget for 2020/21 as soon as practical. *It is understood that this was done at the virtual meeting held in May.*
2. The annual review of Standing Orders, the Risk Assessment and the level of charges should be carried out.
3. Financial reports should reflect the true cost of operations to the council, net of VAT.
4. The draft minutes of the March meeting and the list of community land and building assets should be added to the council's web site.

## OPINION

The financial processes of the Council are well managed by the Clerk and Responsible Finance Officer. She is to be congratulated in particular for the prompt completion of the end of year procedures and her monthly reports to Council meetings. The Council should now work with her to address the issues raised in this report.

*N Powell Davies*

N Powell Davies, BSc, ACMA, CGMA

25<sup>th</sup> May 2020

## GOLDHANGER PARISH COUNCIL – DETAILED FINDINGS 2019/20

### EXPECTATION OF ANNUAL GOVERNANCE AND ACCOUNTABILITY RETURN INTERNAL AUDIT REPORT

Internal Control Objective	Findings	Recommendations
A Appropriate accounting records have been kept properly throughout the year.	<ul style="list-style-type: none"> <li>• An excel spreadsheet is used to record the financial transactions of the Council.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed that expectation met with.</li> </ul>
B The council's financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	<ul style="list-style-type: none"> <li>• Revised Financial Regulations based on the latest model available from NALC were adopted by the Council at its meeting in May. There is no record of any review of Standing Orders.</li> <li>• Invoices to support payments were available and payments were approved by the Council.</li> <li>• VAT was identified in the cash book and appropriately reclaimed from HMRC.</li> </ul>	<ul style="list-style-type: none"> <li>• It is best practice to review Standing orders each year.</li> </ul>
C The council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	<ul style="list-style-type: none"> <li>• A Risk Assessment document was agreed by the Council at its meeting in September 2018 but there is no record of their being reviewed during the year.</li> <li>• The insurance cover provided is appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>• It is best practice to review the Risk Assessment each year.</li> </ul>

Internal Control Objective	Findings	Recommendations
<p>D The annual precept requirement resulted from an adequate budgetary process; progress against budget was regularly monitored; and reserves were appropriate.</p>	<ul style="list-style-type: none"> <li>• At its meeting in January the Council discussed a draft budget for 2020/21 and various projects that might be undertaken. The precept was agreed at an increased level but the budget was not agreed then. There is no record of the budget for 2020/21 ever being agreed. Without an agreed budget, theoretically no expenditure can be incurred. Financial Regulations 3.4 and 4.1 refer.</li> <li>• Reports of the financial position are presented to the Council at its monthly meetings. Because VAT is included in the payments for individual items, the liable costs are inflated.</li> <li>• The level of the Council's general reserves is appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>• A budget for 2020/21 should be agreed by the Council as soon as practical.</li> <li>• Financial reports should reflect the true cost of operations to the council, net of VAT.</li> </ul>
<p>E Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.</p>	<ul style="list-style-type: none"> <li>• There are few sources of income to the Council and none of them are liable for VAT.</li> <li>• There is no record of the charge for allotment rents being reviewed.</li> </ul>	<ul style="list-style-type: none"> <li>• It is best practice to review charges at least annually, as set out in Financial Regulation 8.2.</li> </ul>
<p>F Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.</p>	<ul style="list-style-type: none"> <li>• Minor expenses are initially met by the Clerk and claimed monthly. They were properly supported by receipts and VAT was appropriately accounted for.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed that expectation met with.</li> </ul>

Internal Control Objective	Findings	Recommendations
<p>G Salaries to employees and allowances to members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.</p>	<ul style="list-style-type: none"> <li>• The Clerk's pay was approved by the Council each month. An increase was agreed by the Council at its May meeting.</li> <li>• PAYE and NI requirements were properly applied.</li> <li>• No allowances were paid to Councillors.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed that expectation met with.</li> </ul>
<p>H Asset and investments registers were complete and accurate and properly maintained.</p>	<ul style="list-style-type: none"> <li>• An updated register of community assets was prepared in March 2020 reflecting the purchase of a new padlock for the allotments and 4 replacements dog-waste bins. Although the old padlock was removed from the list no dog-waste bins were.</li> </ul>	<ul style="list-style-type: none"> <li>• The replaced dog-waste bins should be removed from the asset register.</li> </ul>
<p>I Periodic and year end bank account reconciliations were properly carried out.</p>	<ul style="list-style-type: none"> <li>• A bank reconciliation is presented to the Council each month.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed that expectation met with.</li> </ul>
<p>J Accounting statements prepared during the year were prepared on the correct accounting basis, agreed to the cash book and were supported by an adequate audit trail from underlying records.</p>	<ul style="list-style-type: none"> <li>• Year end accounts have been prepared on a receipts and payments basis which is appropriate for a council of this size. They agreed with the cash book and the audit trail was adequate.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed that expectation met with.</li> </ul>
<p>K IF the authority certified itself as exempt from a limited assurance review in 2018/19, it met the exemption criteria and correctly declared itself exempt.</p>	<ul style="list-style-type: none"> <li>• The council met the criteria for exemption from a limited assurance review in 2018/19 and correctly declared itself exempt, including publishing the certificate on its website.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed that expectation met with.</li> </ul>

Internal Control Objective	Findings	Recommendations
<p>L The authority has demonstrated that during summer 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.</p>	<ul style="list-style-type: none"> <li>• The Notice of Public Rights, correctly completed was published on the Council's website.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed that expectation met with.</li> </ul>

## REQUIREMENTS OF TRANSPARENCY CODE FOR SMALLER AUTHORITIES

### Information to be posted on a website

Requirement	Finding
<p><b>PUBLICATION OF EXPENDITURE</b> Smaller councils are required to publish annually the details of each individual item of expenditure above £100.</p>	<p>Details of all payments are contained within the Minutes.</p>
<p><b>PUBLICATION OF END OF YEAR ACCOUNTS</b> Smaller councils must publish their statement of accounts according to the format included in the annual return form. The statement of accounts must be accompanied by:</p> <ul style="list-style-type: none"> <li>• copy of the bank reconciliation for the relevant financial year;</li> <li>• explanation of any significant variances (e.g. more than 10-15%, over £200) in the statement of accounts between the current year and previous year;</li> <li>• explanation of any differences between 'balances carried forward' and 'total cash and short term investments'</li> </ul>	<p>The whole Annual Governance and Accounting Return including the bank reconciliation and explanation of variances is published under the heading 'Finance'.</p>
<p><b>PUBLICATION OF ANNUAL GOVERNANCE STATEMENT</b> Councils must publish their annual governance statement according to the format included in the annual return form.</p>	<p>The whole Annual Governance and Accounting Return is published under the heading 'Finance'.</p>
<p><b>PUBLICATION OF INTERNAL AUDIT</b> Councils must publish their annual internal audit report according to the format included in the annual return form.</p>	<p>The whole Annual Governance and Accounting Return is published under the heading 'Finance'.</p>

Requirement	Finding
<p><b>PUBLICATION OF LIST OF COUNCILLOR RESPONSIBILITIES</b>  Councils must publish a list of councillor or member responsibilities. The list should include the following information:</p> <ul style="list-style-type: none"> <li>• names of all councillors;</li> <li>• committee membership and function (if chairman or vice-chairman) of each councillor;</li> <li>• representation on external local public bodies (if nominated to represent the council) of each councillor.</li> </ul>	<p>Councillors and their contact details are published. The Chair and Vice-Chair of the Council noted as are responsibilities for the allotments or as representative of the Council on the Village Hall Management Committee.</p>
<p><b>PUBLICATION OF LAND AND BUILDING ASSETS</b>  Smaller local councils should publish details of all public land and building assets.</p>	<p><b>At the time of the audit no details of the public land and building assets of the Council were on the website.</b></p>
<p><b>PUBLICATION OF MINUTES, AGENDAS, AND PAPERS OF FORMAL MEETINGS</b>  Councils must publish the draft minutes from all formal meetings (i.e. full council, committee and sub-committee meetings) not later than one month after the meeting has taken place. Even if the minutes have not been finalised the draft minutes should be published.  Councils must also publish meeting agendas, which are as full and informative as possible, and associated papers not later than three clear days before the meeting is taking place.</p>	<p>Minutes of meetings of the Council are generally posted on the website. <b>Those for the March 2020 meeting had not been posted by 27<sup>th</sup> April</b>, though a summary was available under 'Reports'. Detailed Agendas are posted for the next meeting.</p>