

**TOLLESHUNT KNIGHTS
PARISH COUNCIL**

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

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Internal Auditor

May 2020

INTRODUCTION

A smaller authority 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 and the clear way in which documents were provided.

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 was maintained through the year as a record of the financial transactions of the Council. A financial statement and bank reconciliation are presented to the Council at its monthly meetings.
2. 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 good.
3. There is no record of the Standing Orders being reviewed during the year. Revised Financial Regulations based on a new model issued by NALC were adopted by the council at its meeting in October 2019.
4. VAT was appropriately accounted for. A claim for the amount paid during the year was submitted in April 2020. There remains an outstanding claim from August 2018 which was rejected by HMRC.
5. The Clerk's pay was approved by the Council each month. No allowances were paid to members.
6. The register of community assets has been updated for new equipment purchased in the year. The register does not include the dates of purchase.
7. A Working Party was formed to discuss the budget and precept for 2020/21 in detail. The full Council ratified their proposals and agreed the budget and precept requirement at its meeting in December. The cost of proposed repair work to the

drive at the Village Hall was not included in the budget but noted as to be financed from reserves.

8. Year end reserves are more than twice the level of the precept which is higher than the normally accepted level for general reserves. No schedule of earmarked reserves was seen.
9. The requirements for declaring the council exempt from the limited assurance review and publishing the notice of public rights of inspection of accounts were met for 2018/19.
10. Under the Transparency Code for Smaller Authorities 2014, the Parish Council are required to publish certain information on a website. This includes details of all payments over £100. Normally this requirement is met by publishing the meeting minutes. Unfortunately the minutes of the meeting in April 2019 do not include the annual subscription payment to EALC nor the value of the payment to Bonz for tree work. There were two sets of minutes missing from the web site.

RECOMMENDATIONS

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

1. It is best practice to review Standing Orders and the Risk Assessment for continued relevance each year.
2. The claim for VAT repayment submitted in August 2018 should be resubmitted together with additional, more recent items that will take it over HMRC de minimus limits.
3. Reserves held for specific projects such as repair work to the Village Hall drive should be formally earmarked.
4. The required information missing from the website should be posted.

OPINION

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

N Powell Davies

N Powell Davies, BSc, ACMA, CGMA

25th May 2020

TOLLESHUNT KNIGHTS PARISH COUNCIL – DETAILED FINDINGS 2019/20

EXPECTATION OF ANNUAL GOVERNANCE AND ACCOUNTABILITY RETURN INTERNAL AUDIT REPORT

Expectation	Findings	Recommendations
A Appropriate accounting records have been kept properly throughout the year.	<ul style="list-style-type: none"> • A spreadsheet is maintained as a record of transactions. 	<ul style="list-style-type: none"> • Agreed that expectation met with.
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"> • There is no record of the Standing Orders being reviewed during the year. • Revised Financial Regulations based on a new model issued by NALC were adopted by the council at its meeting in October 2019. These have not yet been posted on the council's website. • Invoices to support payments were available. Expenditure was approved by the Council. • VAT was appropriately accounted for. The claim refused the previous year was again refused as being for too little and too short a period. VAT paid during the year was claimed immediately after the end of the year. So there was no claim paid in the year. 	<ul style="list-style-type: none"> • It is best practice to review Standing Orders each year. • The latest Financial Regulations should be posted on the web site. • The claim for VAT repayment submitted in August 2018 should be resubmitted together with additional, more recent items that will take it over £100.

Expectation	Findings	Recommendations
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"> • The Risk Assessment agreed by the Council in September 2018 on the web site suggests that it was due for review in September 2019 but there is no record of this happening. • The insurance cover renewed in May 2019 appears to be appropriate. 	<ul style="list-style-type: none"> • It is best practice to review the Risk assessment each year for continued relevance.
D The annual precept requirement resulted from an adequate budgetary process; progress against budget was regularly monitored; and reserves were appropriate.	<ul style="list-style-type: none"> • A Working Party was formed to discuss the budget and precept for 2020/21 in detail. This included a comparison of spend for the year to date against the budget for 2019/20. The full Council ratified their proposals and agreed the budget and precept requirement at its meeting in December. The cost of proposed repair work to the drive at the Village Hall was not included in the budget but noted as to be financed from reserves. • Progress against budget is reported to each monthly meeting. • Year end reserves are more than twice the level of the precept which is higher than the normally accepted level for general reserves. No schedule of earmarked reserves was seen. 	<ul style="list-style-type: none"> • Reserves held for specific projects such as repair work to the Village Hall drive should be formally earmarked.
E Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	<ul style="list-style-type: none"> • All income was treated appropriately and no VAT is chargeable thereon. 	<ul style="list-style-type: none"> • Agreed that expectation met with.

Expectation	Findings	Recommendations
F Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	<ul style="list-style-type: none"> • Minor expenses are initially met by the Clerk and claimed monthly. They were properly supported by receipts. 	<ul style="list-style-type: none"> • Agreed that expectation met with.
G Salaries to employees and allowances to members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.	<ul style="list-style-type: none"> • The Clerk's pay was approved by the Council each month but I saw no record of an agreement as to the basis on which it should be calculated. It had not been increased from the previous year. • PAYE and NI requirements were properly applied. • No allowances were paid to members. 	<ul style="list-style-type: none"> • Agreed that expectation met with.
H Asset and investments registers were complete and accurate and properly maintained.	<ul style="list-style-type: none"> • The register of community assets has been updated for new equipment purchased in the year. The register does not include the dates of purchase. 	<ul style="list-style-type: none"> • The history of date of purchase of items on the asset register should be built up in the future.
I Periodic and year end bank account reconciliations were properly carried out.	<ul style="list-style-type: none"> • A bank reconciliation is presented to the Council each month. 	<ul style="list-style-type: none"> • Agreed that expectation met with.
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.	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Agreed that expectation met with.

Expectation	Findings	Recommendations
<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"> • In 2018/19 the Council met the criteria for exemption from a limited assurance review and correctly completed the required form which is published on the Council's website. 	<ul style="list-style-type: none"> • Agreed that expectation met with.
<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"> • The notice of public rights to examine the accounts for 2018/19 was correctly completed and published on the Council's website. 	<ul style="list-style-type: none"> • Agreed that expectation met with.

REQUIREMENTS OF TRANSPARENCY CODE FOR SMALLER AUTHORITIES

Information to be posted on a website

Requirement	Finding
<p>PUBLICATION OF EXPENDITURE Smaller councils are required to publish annually the details of each individual item of expenditure above £100.</p>	<p>Details of payments are contained within the Minutes. The Minutes of the April 2019 meeting (found in 2018/19 list) does not include the annual subscription payment to EALC nor the value of the payment to Bonz for tree work (the largest payment made by the council in the year).</p>
<p>PUBLICATION OF END OF YEAR ACCOUNTS 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"> • copy of the bank reconciliation for the relevant financial year; • 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; • explanation of any differences between 'balances carried forward' and 'total cash and short term investments' 	<p>All sheets of the Annual Governance and Accountability Return for 2019 together with accompanying bank reconciliation and explanation of significant variances are published under the Finance tab.</p>
<p>PUBLICATION OF ANNUAL GOVERNANCE STATEMENT Councils must publish their annual governance statement according to the format included in the annual return form.</p>	<p>All sheets of the Annual Governance and Accountability Return for 2019 are published under the Finance tab.</p>

Requirement	Finding
<p>PUBLICATION OF INTERNAL AUDIT Councils must publish their annual internal audit report according to the format included in the annual return form.</p>	<p>All sheets of the Annual Governance and Accountability Return for 2019 are published under the Finance tab.</p>
<p>PUBLICATION OF LIST OF COUNCILLOR RESPONSIBILITIES Councils must publish a list of councillor or member responsibilities. The list should include the following information:</p> <ul style="list-style-type: none"> • names of all councillors; • committee membership and function (if chairman or vice-chairman) of each councillor; • representation on external local public bodies (if nominated to represent the council) of each councillor. 	<p>Councillors and their contact details are published and the Chair and Vice-Chair of the Council noted.</p>
<p>PUBLICATION OF LAND AND BUILDING ASSETS Smaller local councils should publish details of all public land and building assets.</p>	<p>Details of the public land and building assets of the Council are on the website.</p>
<p>PUBLICATION OF MINUTES, AGENDAS, AND PAPERS OF FORMAL MEETINGS 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>Detailed Agendas are posted on the website. Minutes of meetings of the Council are also generally posted. Those for the meeting on 16th March 2020 had not been posted by 22nd April. Also the tab for the minutes of the meeting in September 2019 reveal the Agenda instead.</p>