

Public Sector Audit

Goxhill Parish Council

Internal Audit Report for the year ended 31 March 2020

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Introduction

Part 2, paragraph 5 (1) of the Accounts and Audit Regulations 2015 imposes a duty on Local Councils 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”.

Internal audit is a key component of the system of internal control. The purpose of internal audit is to review whether the systems of financial and other controls over a council's activities and operating procedures are effective.

At the request of the council I have conducted an Internal Audit review of the council's accounting records in respect of the financial year ended 31 March 2020. I have acted independently and, on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in place during the financial year.

The audit has been carried out in accordance with the council's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions and recommendations have been recorded in the table below.

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Prioritisation of recommendations

In accordance with good internal audit reporting practice and the Governance and Accountability for Local Councils Practitioners Guide, the recommendations contained in this report have been prioritised. The following 'traffic light' system for the prioritisation of recommendations has been adopted:

- Significant weakness in internal control requiring urgent attention.
- Moderate weakness in internal control requiring attention within the current year.
- Minor weakness in internal control, or matters of good practice the council may wish to consider, to be addressed within the current year.

Distribution List

Chairman of the Council

All members of the Council

Clerk to the Council

The findings of the audit are summarised below

	Test	Findings and Recommendations
1	Have appropriate books of account been properly maintained throughout the year?	<p><u>Appropriate accounting records</u></p> <p>Findings</p> <p>The cash book is maintained on a combined receipts and payments spreadsheet and is arithmetically correct.</p> <p>It is sufficiently well analysed to provide all of the information required for the Annual Governance and Accountability Return (AGAR).</p> <p>Receipts and payments have been totalled monthly throughout the year to provide the analyses required for budget monitoring purposes.</p> <p>An analysis column has been included in the cash book for “s.137 (Local Government Act 1972) grants, donations and other expenses.” As s.137 is a separate legal power available to Parish Councils to incur expenditure, other donations and expenses should not be included in this column in the cash book. Where more specific powers are available to the council to incur expenditure these should be used. S.137 should only be used when a specific power to incur expenditure is not available to the council.</p> <p>A year-end bank reconciliation has been performed and monthly reconciliations are presented to each meeting of the council.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The column in the cash book should be re-named to read s.137 only. All other expenditure incurred by the council should be analysed to other expenditure headings.
2	Have the council’s Financial Regulations and Standing Orders been formally adopted and complied	<p><u>Adherence to Financial Regulations and Standing Orders</u></p> <p>Findings</p> <p>The council last reviewed and approved its Standing Orders at the meeting held on the 5th July 2018.</p>

	with?	<p>During July 2018 NALC revised its Model Standing Orders to acknowledge new legislation since the previous Model was published. Details of the changes were published in the NALC document LO9 - 18 2018 Model Standing Orders - Amendment.</p> <p>The council reviewed and adopted revised Financial Regulations at the meeting held on the 3rd October 2019. The regulations are the latest NALC Model, published in July 2019.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The council should update its Standing Orders and Financial Regulations to the latest NALC Models to reflect legislative changes.
3	<p>Are payment controls effective and VAT properly accounted for?</p> <p>Has the council recorded s137 expenditure separately and is it within the statutory limit?</p>	<p><u>Adequate payment controls</u></p> <p>Findings</p> <p>I have tested a large sample of payments throughout the year for appropriateness of expenditure and agreement with the cash book. I have also verified that all council payments have been submitted to council for formal review and approval.</p> <p>I have tested that VAT has been correctly identified in the cash book and included in the VAT reclaims submitted to HMRC. It is noted that a VAT column has now been included in the cash book to record the VAT element of invoices and receipts. For all payments tested the VAT element of invoices had been correctly identified, recorded in the cash book and included on the council's VAT reclaims.</p> <p>The Clerk has continued to maintain a detailed record of quotations sought and received in compliance with the council's Financial Regulations; the provision of this record to audit was of considerable assistance in verifying compliance with council policy.</p> <p>I have reviewed all invoices for completeness, accuracy, correct year of account and classification/analysis in the cash book. Apart from sundry items and donations that have been included under s.137, as noted in section 1 of this report, expenditure has been appropriately analysed.</p>

		<p>Only one cheque was issued during the year. The cheque stub has not, however, been initialled by both signatories.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● The council should identify the VAT element of all purchases, including the reimbursement of sundry expenses, for inclusion on the VAT reclaim. ● The council should obtain from ERNLLCA a comprehensive list of the powers available to Town and Parish Councils. When a specific power is available to the council it should be used instead of s.137. ● The principle that at least two people must be involved with all payments, whether by cheque or electronic payment methods, must be maintained and evidenced. Appropriate evidence, such as the initialling of all cheque stubs to confirm agreement with the cheque and documentation provided at the time of signing, should be provided as part of the council's financial control environment.
4	<p>Has the council assessed the significant risks in delivering its activities and services and regularly reviewed the adequacy of these assessments?</p> <p>Is insurance cover appropriate and adequate?</p> <p>Are financial controls documented and regularly reviewed?</p>	<p><u>Assessment of significant risks</u></p> <p>Findings</p> <p>The council maintains detailed Risk Assessments covering the Memorial Hall (including a Fire Risk Assessment), Tennis Courts, Play Area and Playing Field, Allotments, Bowling Green, Parish Rooms, Cemetery, Financial Risks and a Health and Safety Policy.</p> <p>It is noted that a playground inspection was not undertaken by NLC during the year. The Clerk has confirmed that this has been taken up with NLC and annual inspections will re-commence in June this year.</p> <p>It is also noted that the Risk Assessment for the MUGA confirms that the area is inspected regularly. The Clerk has confirmed that the play equipment, however, is not subject to detailed periodic inspection and detailed inspection sheets are not completed and retained.</p> <p>The routine inspections of all council owned land, buildings and equipment are not currently being</p>

undertaken in order to identify any potential risks to the public. The possibility of the council being held liable in the event of a claim for loss or injury is increased in the absence of such inspections.

I have reviewed the council's insurance cover and the limits of indemnity are adequate. The policy, however, does not specify whether both employees and members are covered for Fidelity Guarantee.

I have reviewed the council's arrangements for the security of its electronic information and the Clerk has confirmed that the council's computer is password protected and is backed up weekly onto a USB memory stick. The memory stick is stored away from the computer but is not password protected.

Recommendations

- Detailed inspection sheets should be completed and provided to audit for review and verification. Such forms should be completed for each area of land inspected and all council assets which could give rise to health and safety issues. They should record the date of inspection, details of what has been inspected, any defects/issues found and be signed off by the person carrying out the inspection. They should be returned to the council's office for filing and should be reviewed by the Clerk and signed as reviewed. The inspection sheets should include provision to record what remedial action has been taken and the date that it was completed. The retention of such documents is essential in the event of injury or a claim against the council.
- All council land, buildings and equipment should be reviewed with a view to identifying whether any routine inspections should be carried out. The council's insurance company will be able to advise on the type and frequency of such inspections, as well as who can carry these out, in order to limit the council's liability in the event of a claim. Routine inspections should be documented and any actions required noted for remedial action to be taken. Sample inspection documentation is available from ERNLLCA or from fellow officers at other large councils.
- The council should check with the insurers whether both employees and Members of the Parish Council are covered for Fidelity Guarantee. Council Members must also be covered under this section of the policy and written confirmation that they are included should be obtained.

		<ul style="list-style-type: none"> ● The council's memory stick should be password protected to protect the council's interests in the event of loss or theft.
5	<p>Has the annual precept requirement resulted from an adequate budgetary process?</p> <p>Has progress against budget been regularly monitored and reported and were reserves appropriate?</p>	<p><u>Adequate budgetary process</u></p> <p>Findings</p> <p>A detailed annual budget was prepared for the purpose of setting the 2019/20 Precept.</p> <p>Detailed budget monitoring reports were presented to council quarterly for review and approval. The reports include a narrative column which is used to explain the reasons for variances between original budget and receipts and payments to date.</p> <p>Year end balances at 31st March 2020 were £43,375. This comprises £17,036 relating to the Youth Account and a general reserve of £26,339. The general reserve equates to approximately 46% of the Precept and grant and is considered to be adequate for a council the size of Goxhill.</p>
6	<p>Was all expected income fully received in accordance with the current scale of charges, properly accounted for and promptly banked?</p> <p>Were security controls over cash and cash equivalents effective?</p>	<p><u>Adequate income controls</u></p> <p>Findings</p> <p>Apart from the annual Precept and Community Grant from NLC, the council received income from the cemetery, allotments, VAT refunds from HMRC, premises hire charges, a Parish paths grant and a small amount of bank interest.</p> <p>The council has reviewed its charges and approved a revised Scale of Charges covering the Parish Rooms, Allotments, Memorial Hall hire, Tennis Courts, Bowls Club and Bowling Green and Cemetery fees. All fees and charges were approved by council on the 7th March 2019. They have not since been updated or re-approved.</p> <p>I have agreed all allotment income received to the Scale of Charges, allotment register and the cash book.</p> <p>I have tested a sample of cemetery income and agreed the income received to the council's cemetery fees and charges.</p>

		All other income has been agreed to supporting documentation and the cash book.
7	<p>Were petty cash payments appropriate and supported by receipts?</p> <p>Was all expenditure approved and reported to members?</p> <p>Has VAT been correctly accounted for?</p>	<p><u>Appropriate petty cash controls</u></p> <p>Findings The council does not maintain a petty cash system. All petty expenditure is reimbursed to the Clerk and Members of the council via the payments system.</p> <p>It is noted that the VAT element of many expenses reimbursements to staff and Councillors has not been identified and included in the VAT column in the cash book for inclusion in the HMRC VAT reclaim. Under the HMRC simplified invoice and receipt rules the council is able to recover the VAT element of purchases where the HMRC requirements have been met. It is also noted that, for Amazon purchases for example, order and dispatch documentation has been provided in support of expenses claims. Such documentation does not represent a valid VAT receipt and the VAT element cannot, therefore, be recovered. There is a facility on Amazon to produce a valid VAT invoice for purchases.</p> <p>Petty cash payments are included in the schedule reported to each council meeting.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● For purchases that include VAT, a valid VAT invoice or receipt (including the supplier's VAT number) should be provided to the council in support of expenses reimbursements to enable the VAT to be recovered.
8	<p>Do all employees have contracts of employment with clear terms and conditions?</p> <p>Are salaries to employees and all other payments and allowances paid in accordance with council approvals?</p>	<p><u>Adequate payroll controls</u></p> <p>Findings The council's only employee is the Clerk and the Contract of Employment dated the 1st November 2018 contains clear terms and conditions of employment. A revised contract, identifying a revision of contracted hours, was issued from the 1st February 2020. Owing to current Government restrictions the new contract has not yet been signed by the Clerk or the Council.</p> <p>I have agreed the gross payments for each month to contracted hours and authorised overtime.</p>

	Has PAYE and NI been correctly deducted and paid to HMRC?	<p>The Clerk is subject to PAYE and NI regulations and all statutory deductions have been correctly paid to HMRC.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● The Clerk's new contract of employment should be signed by both the Council and the Clerk when the current restrictions have been lifted. ● Following the issue of updated guidance from HMRC during September last year, the council should note that it is unable to claim Employment Allowance unless it has charitable status. The council should, therefore, check that it is not claiming this allowance and if it is, it should untick the box on the payroll software system to cease claiming it. Further advice can be obtained using the following link; www.gov.uk/government/publications/employment-allowance-more-detailed-guidance/eligibility-for-employment-allowance-further-employer-guidance
9	Is the Asset and Investment Register complete and accurate and reviewed on a regular basis?	<p><u>Appropriate recording of assets</u></p> <p>Findings</p> <p>The council's revised Asset Register is in the form of a schedule which identifies the council's assets as at 31st March 2020. It is now in the recommended format.</p> <p>It is noted that the council has chosen to use the insurance value for the valuation of its assets on the year-end Accounting Statement. This basis is acceptable as a basis for valuation in the first instance but the valuation must not be increased when the valuations on the insurance policy increase for inflation purposes.</p> <p>The council purchased some Christmas lights during the year but these have not been added to the Asset Register.</p> <p>The assets that have been purchased during the year, except for the Christmas lights, have been correctly added to the register at the cost exclusive of VAT. This method of valuation is correct as the council is able to recover the VAT element of such purchases and should, therefore, reflect the actual cost to the council net of</p>

		<p>VAT in the register. The council should note that once an asset has been added to the register at its cost price, its valuation in the register should not change during its life until it is disposed of by the council. The Government's Governance and Accountability Guide for Local Councils identifies that:</p> <p><i>"Once recorded on the asset and investments register, the recorded value of assets and investments must not change from year to year until disposal. Commercial concepts of depreciation, impairment adjustments, etc. are not appropriate for local councils. For reporting purposes therefore, the 'book' value of fixed assets will stay constant throughout their life until disposal."</i></p> <p>A copy of the 2019 NALC/SLCC Governance and Accountability Guide for Local Councils has been provided to the Clerk for future reference.</p> <p>The Clerk has confirmed that the Asset Register as at the 31st March 2020 will be approved by council when the current restrictions have been lifted.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The council should consider whether it wishes to add low value items, such as the Christmas lights purchased during the year, to the Asset Register or whether it would prefer to apply a de-minimus limit for assets to be added to the register.
10	<p>Were bank reconciliations performed on a regular and timely basis?</p> <p>Has a year-end reconciliation been performed and balanced?</p> <p>Have all bank reconciliations been reviewed by an appointed member and evidenced as such?</p>	<p><u>Adequate bank reconciliations</u></p> <p>Findings</p> <p>Year-end and monthly bank reconciliations have been prepared by the Clerk and presented to each council meeting. They do not include any unusual or balancing entries.</p> <p>All reconciliations have been signed as seen and approved by the Chairman of the council.</p>

11	<p>Were year-end accounts prepared on the correct accounting basis and supported by adequate working papers and adjustments, transfers, contra entries etc. which are fully explained and justified?</p> <p>Is there an adequate audit trail from underlying records and where appropriate have debtors and creditors have been properly accounted for?</p> <p>Has the previous Internal Audit Report been submitted to council and actioned as necessary?</p>	<p><u>Correct accounting basis and previous Internal Audit Report actioned</u></p> <p>Findings</p> <p>The year-end statement has been prepared on the correct accounting basis (Receipts and Payments) and, therefore, debtors and creditors have not been included.</p> <p>The Statements agree with the cash book and there is there an audit trail from underlying financial records to the year-end statements</p> <p>The total value of assets on the Asset Register as at the 31st March 2020 agrees to the declaration in box 9 on the Accounting Statement on the AGAR.</p> <p>The 2018/19 Internal Audit Report was presented to the council meeting held on the 6th June 2019.</p>
12	<p>Has the council met its responsibilities as a Trustee?</p>	<p><u>Trustee responsibilities</u></p> <p>Findings</p> <p>I have previously reviewed the Trust Deeds for the Memorial Hall and Millennium Green.</p> <p>The Council is the sole Trustee for both the "Goxhill Memorial Hall and Recreation Ground" and the "Goxhill Millennium Green." The Charity Commission's website confirms that Goxhill Memorial Hall was entered on the Register of charities on the 23rd March 1964 and the registered charity number is 51928. It also confirms that Goxhill Millennium Green Trust was registered on the 9th August 1999 and its registered charity number is 1077394.</p> <p>The Trust Deed's principal covenants are:</p> <p><u>Goxhill Memorial Hall</u></p>

		<p>The provision and maintenance of the Village Hall and Recreation Ground for use by the inhabitants of Goxhill for meetings, lectures, classes and other forms of recreation and leisure time occupation with the intention of improving the conditions of life for the said inhabitants.</p> <p>Classification: What: Education/Training. Arts/Culture/Heritage/Science. Amateur Sport. Who: Children/Young People. Elderly/Old People. People with Disabilities. Other Charities or Voluntary Bodies. Other Defined Groups. The General Public/Mankind. How: Provides Buildings/Facilities/Open Spaces.</p> <p><u>Goxhill Millennium Green</u> The provision of an open space for the benefit of the inhabitants and to be used forever as an area for informal recreation, play or other leisure-time occupations, a meeting area or place of community events and for any other lawful purpose consistent with these Trusts and for the general benefit of the community.</p> <p>Classification: What: General Charitable Purposes. Environment/Conservation/Heritage. Who: The general Public/Mankind. How: Provision of Buildings/Facilities/Open Spaces.</p> <p>I have reviewed the Parish Council's accounts and have seen no evidence that Trust Fund expenditure has been included in the cash book or Annual Governance and Accountability Return.</p>
13	<p>If the council certified itself as exempt from an External Audit Limited Assurance Review last year, has it met the exemption criteria and correctly declared itself exempt?</p>	<p><u>Exemption Certificate</u> Findings The council, correctly, did not complete an Exemption Certificate under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015.</p>

14	Did the council correctly provide, during the summer, the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations 2015?	<p>Exercise of Public Rights</p> <p>Findings The Clerk has confirmed that the statutory Notice of Public Rights was published on the council's Notice Board in accordance with the requirements of the Accounts and Audit Regulation 2015. Section 15 (2) of the Regulations, however, also requires that the Notice also be displayed on the council's website.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● In addition to the Notice Board the Notice of Public Rights should be displayed on the council's website in accordance with section 15 (2) of the Accounts and Audit Regulation 2015 and External Audit guidance.
15	Are the council's minutes maintained in accordance with legislative requirements?	<p>Correct maintenance of council minutes</p> <p>Findings The council's minutes are in a loose leaf format and all minutes for the year were presented to audit.</p> <p>All of the pages of the minutes have been signed as a true record, by the Chairman, in accordance with the Local Government Act 1972 (Schedule 12.41(1)).</p> <p>The council minutes presented to audit are not consecutively numbered in accordance with the Local Government Act 1972 (Schedule 12.41(2)). The last page number of the minutes of the meeting held on the 4th July 2019 is 82 and the first page number of the meeting held on the 5th September is 89. Also the Extraordinary meeting held on the 1st August 2019 is numbered 77, the same as the first page on the 4th July 2019.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● All pages of the council's minutes should be numbered consecutively in accordance with legislative requirements. The incorrectly numbered pages for 2019/20 should be re-numbered and initialled by the persons who presided thereat.

Executive Summary

The accounts and governance arrangements of the council have again been maintained to a much improved standard and the hard work of the Clerk in achieving this is acknowledged.

The internal financial control environment within the council is now adequate and this has provided the opportunity for a more in depth audit to be undertaken in several areas of record keeping and compliance with Government regulation and guidance. The adoption of the above recommendations and consideration of the advisory note will serve to strengthen the systems, procedures and governance arrangements already in place.

Paragraph 5.106 of the NALC/SLCC 2019 Governance and accountability Guide identifies that:

“Authorities should note that it is not part of internal audit’s responsibility to review or ‘sign off’ the completed Annual Governance and Accountability Return. Internal audit report(s) should inform the authority’s responses to assertions 2 and 6 in the annual governance statement. Internal audit reports should therefore be made available to support and inform members considering the authority’s approval of the annual governance statement.”

The Internal Audit has been conducted in accordance with the Governance and Accountability for Local Councils – Practitioners Guide 2019. I confirm that I have no relationship or interest, financial or otherwise, with any member or officer of the council.

Richard Dixon

Public Sector Audit

24th May 2020

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