

Public Sector Audit

Goxhill Parish Council

Internal Audit Report for the year ended 31 March 2021

Public Sector Audit

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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 2021. 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.

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: Page | 3

- 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

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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 the information required for the completion of the Annual Governance and Accountability Return. The Clerk has correctly taken note of the revised classification of staff mileage costs and working from home allowance in accordance with Government guidance.</p> <p>It is noted, however, that the cost of the Clerk's registration for CiLCA has been included in the staff costs column in the cash book and hence included in box 4 on the Accounting Statement.</p> <p>A revised Governance and Accountability Guide has been issued by the National Joint Panel this year. In accordance with the revised instructions for Town and Parish Councils the allocation of staff travelling costs is now required to be analysed as "All other payments" and included in box 6 on the year-end Annual Return.</p> <p>For clarification purposes, the 2020 Governance and Accountability Guide states:</p> <p><i>"Staff costs for the purpose of Line 4 include gross salary of employees, employers' national insurance contributions, employers' pension contributions, gratuities for employees or former employees and severance or termination payments to employees. The following are not staff costs for the purpose of Line 4; mileage and other travelling and subsistence allowances, "Homeworking allowance" that is, an allowance paid to cover the extra costs of working from home, the provision of work related training, the reimbursement of childcare or other carers costs, the reimbursement of a staff members subscription to the Society of Local Council Clerks, the provision of office supplies such as laptop, scanner or stationery and consultants and agency staff. The definition of "staff costs" for the purposes of Line 4 may differ from what is, or is not, treated as taxable earnings by HMRC. In as much as this is a change of reporting basis, corresponding figures from the preceding year must be restated in a</i></p>

		<p><i>similar basis."</i></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 costs associated with any training provision should be identified as administration in the cash book and hence included in box 6, all other payments, on the Accounting Statement.
2	Have the council's Financial Regulations and Standing Orders been formally adopted and complied with?	<p><u>Adherence to Financial Regulations and Standing Orders</u></p> <p>Findings</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 that was published in July 2019.</p> <p>The council last reviewed and amended its Standing Orders at the meeting held on the 2nd July 2020.</p> <p>Revised NALC Model Standing Orders, to acknowledge new legislation and changes to other requirements, were announced last week.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● When the council next reviews its Standing Orders it should update them to reflect the latest NALC Model ● Financial Regulations should also be reviewed for continuing relevance to the council at the same meeting.
3	Are payment controls effective and VAT properly accounted for? Has the council recorded s137 expenditure separately and is it	<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 tested that council payments have been submitted to council for formal review and approval. It is noted that all council payments are included on the monthly reconciliation</p>

<p>within the statutory limit?</p>	<p>which is submitted to each meeting for council authorisation and is signed as authorised by the Chairman.</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>I have reviewed invoices for completeness, accuracy, correct year of account and classification in the cash book. All expenditure tested has been appropriately analysed.</p> <p>It is noted that the council pays for the maintenance of the Millennium Green as the Trust does have any funds. The external Auditor has suggested that, for transparency purposes, the council minutes record that, <i>“Because there are no Trust Fund monies available, the council has spent its own funds on the maintenance and upkeep of the Millennium Green for the good of the community as a whole.”</i></p> <p>An analysis column has correctly been included in the cash book for s.137 of the Local Government Act 1972. It is noted that expenditure in respect of repairs to a Notice Board, which is a normal administrative cost, has been coded to this statutory power. Where more specific powers are available to the council to incur expenditure, s.137 should not be used. This statutory power should only be used when a more specific power to incur expenditure is not available to the council.</p> <p>The Clerk has confirmed that no cheques were issued during the year.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● To satisfy the two- signature rule that two people should be involved in all payments (whether before, at the time of, or after the payment) an additional nominated council Member should sign the monthly reconciliation at the same time as the Chairman. ● The file of invoices should also be made available to the council at each meeting for review and verification
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		<p>if required.</p> <ul style="list-style-type: none"> ● Expenditure should only be coded to the statutory power of s.137 when no other statutory power is available to the council. ● If any cheques are issued in future years, the cheque book should be submitted to audit for verification of the 2-signature rule.
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 comprehensive Risk Assessments covering council owned and maintained land and assets and associated liability to the public. Additional Risk Assessments have been prepared covering the Covid 19 pandemic and the council's new skatepark. The Risk Assessments were approved at the meeting held on the 6th August 2020.</p> <p>It is noted that the Risk Assessments identify that both land and assets are inspected regularly. The Clerk has confirmed that this is done, and inspection sheets have been completed. They have not, however, been presented to audit for review and verification.</p> <p>It is also noted that a playground inspection was undertaken by NLC during the year.</p> <p>I have reviewed the council's insurance cover and the limits of indemnity are adequate. The policy schedule submitted to audit does not specify whether both employees and Members are covered for Fidelity Guarantee. The Clerk has confirmed, however, that both officers and Members are covered.</p> <p>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 monthly onto a USB memory stick. The memory stick is also password protected and is also stored away from the computer</p>

		<p>Recommendation</p> <ul style="list-style-type: none"> ● As reported last year, inspection sheets should be 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.
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 2020/21 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 as at 31st March 2021 totalled £24,231 This comprises earmarked reserves of £2,850 for future projects and a general reserve of £21,381. The general reserve equates to approximately 16% of the current year's Precept and is considered to very low for a council the size of Goxhill PC. It is noted in the Parish Council 2021/22 Precept brief, the council recognises the need to increase council reserves to a more sustainable level and the increased Precept requirement for 2021/22 should achieve this aim.</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</p>	<p><u>Adequate income controls</u></p> <p>Findings</p> <p>Apart from the Precept and Council Tax Grant from NLC, a grant and donations for the skatepark, the council received income from the cemetery, allotments, quarterly VAT refunds, parish paths and PROW grants and a small amount of bank interest.</p>

	<p>cash equivalents effective?</p>	<p>The council last 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, on the 7th March 2019. It is good practice for councils to review their Scales of Charges every two years, whether the council resolves to increase its charges or not.</p> <p>I have agreed allotment income received to the Scale of Charges and the Allotment Register. The income received per the cash book is £5 more than the total recorded in the Allotment Register. The Clerk has confirmed that this is in respect of an additional fee for a new allotment holder.</p> <p>I have been able to agree a small sample of cemetery income to the council's 2019 cemetery fees and charges. There was, however, insufficient cross referencing of income received per the receipts file and the cash book to the council's cemetery files provided to audit, to enable a larger sample to be agreed.</p> <p>All other income has been agreed to supporting documentation and the cash book.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● The council should review its Scale of Charges during the current financial year. ● The Allotment Register should reflect all income due and received during the year. ● Clearer cross referencing of income received in respect of the cemetery to the cemetery records is required to facilitate audit testing and verification.
7	<p>Were petty cash payments appropriate and supported by receipts?</p> <p>Was all expenditure approved and reported to members?</p>	<p><u>Appropriate petty cash controls</u></p> <p>Findings</p> <p>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>For the sample tested, the VAT element of reimbursements to staff and Councillors was correctly identified</p>

	Has VAT been correctly accounted for?	and included in the VAT column in the cash book for inclusion in the HMRC VAT reclaim. Petty cash payments are included in the schedule reported to each council meeting.
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>Has PAYE and NI been correctly deducted and paid to HMRC?</p>	<p><u>Adequate payroll controls</u></p> <p>Findings The council's only employee is the Clerk, and the new Contract of Employment dated the 27th April 2021 contains clear terms and conditions of employment.</p> <p>Apart from the arrears of pay due to the 2020/21 NJC pay award, I have agreed the gross payments for each month to contracted hours and authorised overtime payments. The arrears of pay calculation was incorrectly based on 27 hours per month rather than the 117 hours contracted for and actually worked.</p> <p>The Clerk is subject to PAYE and NI regulations and for the sample checked, statutory deductions have been correctly paid to HMRC.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The Clerk should re-calculate the arrears of pay due to the 2020/21 NJC pay award and include the shortfall of gross pay in the next month's pay calculation for audit review and verification at next year's audit.
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 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 in the recommended format.</p> <p>It is noted that the council chose to use the insurance value for the valuation of its assets on the year-end Accounting Statement. It was noted last year that 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>

		Purchases during the year, the Memorial Hall and Bowling Pavilion and the Millennium Green held in Trust, have been added to the register at the correct valuation; the total on the register as at 31st March 2021 agrees to the declaration in box 9, fixed Assets, on the Accounting Statement.
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>It is noted that the council transferred the Youth Account bank balance to the Treasurers Account on the 23rd June 2020. The balance on the Business Account was also transferred on this date.</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> <p>As a result of issues that have arisen at other Town and Parish Councils it is good financial management that the respective balances on the accompanying bank statements also be signed/initialled by a Council Member as evidence of the checking of the month end bank balances against the reconciliations.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● As the Youth Account remains open with a nil balance, it remains one of the council's bank accounts and, as such, should still be included on the monthly bank reconciliation (showing a nil balance, unless further funds are transferred into this account). ● The authorisation of bank reconciliations by a Council Member is recognised as a significant internal financial control. An authorised Council Member should, therefore, sign both the bank reconciliations and original relevant bank statements as confirmation that both agree.

11	<p>Were Accounting statements prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate, were debtors and creditors properly recorded?</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>Following the Government's revised guidance on the treatment of staff travelling costs on the Annual Governance and Accountability Return (AGAR) the council should note that the guidance states: <i>" In as much as this is a change of reporting basis, corresponding figures from the preceding year must be restated in a similar basis."</i> The council has not, however, restated the figures in box 4 and box 6 on the Accounting Statement in respect of last year's staff travelling costs.</p> <p>Also, as noted in section 1 of this report, the cost of the Clerk's registration for CiLCA has been included in the staff costs column in the cash book and hence included in box 4 on the Accounting Statement.</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 2021 agrees to the declaration in box 9 on the Accounting Statement on the AGAR.</p> <p>The 2019/20 Internal Audit Report was presented to the council meeting held on the 4th June 2020. It is noted an action plan was not prepared last year following the council's review of the Internal Audit Report. Also, some recommendations made last year have not yet been implemented.</p> <p>Section 5.107 of the 2020 NALC/SLCC Governance and Accountability Guide states that: <i>"Authorities will receive reports from both their internal and external auditors. An authority should consider the matters included in these reports and decide what action it needs to take to prevent recurrence of the issues raised. The consideration and decisions should be included in formal minutes."</i></p>
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		<p>Recommendations</p> <ul style="list-style-type: none"> ● Government guidance on the completion of the AGAR should be fully observed when completing the 2020/21 year-end returns for the External Auditor: <ul style="list-style-type: none"> ● The brought forward figures for Box 4, staff costs, and box 6, all other payments, on the Accounting Statement should be restated to reflect Government guidance on the re-allocation of staff travelling costs, and ● The cost of the Clerk's registration for CiCLA in 2020/21 should be deducted from box 4 and added to box 6 in accordance with Government requirements. ● The council should prepare an action plan including a timeline in accordance with the priority of recommendations following the review of each Internal Audit Report.
12	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><u>Exemption Certificate</u></p> <p>Findings</p> <p>The council, correctly, did not complete an Exemption Certificate under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015.</p>
13	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><u>Exercise of Public Rights</u></p> <p>Findings</p> <p>I have confirmed by a review of the council's website that, during the summer of 2020, the council did not correctly provide the proper opportunity for the exercise of public rights in accordance with the requirements of the 2015 Accounts and Audit Regulations (as amended by S.I. 2020/404 - The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020). The date of announcement of the notice was not at least one day before the commencement of the notice period in accordance with legislative requirements. The Clerk is aware of this and will ensure that legislative requirements are met in the future.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The council should ensure that the date of announcement of the Notice of Public Rights and the dates of the notice period are published in accordance with the Accounts and Audit Regulations 2015 (as amended, for

		2020/21 only, by S.I. 2020/404 - The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020).
14	Did the council comply with the publication requirements for the previous year's AGAR?	<p><u>Publication Requirements</u></p> <p>Findings</p> <p>I have reviewed the council's website and confirmed that the council published the correct documents, as required by the Accounts and Audit Regulations 2015 (as amended by S.I. 2020/404 - The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020), except for the Notice of Conclusion of Audit. The Clerk is aware of this and will ensure that legislative requirements are met in the future.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The council should publish all of the documentation required in accordance with the Accounts and Audit Regulations 2015 (as amended by S.I. 2020/404 (for 2020/21 only) The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020).
15	Has the council met its responsibilities as a Trustee?	<p><u>Trustee responsibilities</u></p> <p>Findings</p> <p>I have reviewed the Trust Deeds Memorial Hall and Millennium Green.</p> <p>I have previously been advised that the Council is the sole Trustee for both the "Goxhill Memorial Hall and Recreation Ground" and the "Goxhill Millennium Green." The Clerk has now confirmed that an objection to this has been raised by a member of the public to the External Auditor; this was later retracted, and the External Audit was approved.</p> <p>The Clerk has further confirmed that this year it has been clarified that the Parish Council are the owners 'in trust' of the Memorial Hall - registered in 2014 - and is currently in discussion with solicitors to establish a 999-year lease for the Memorial Hall Committee to manage the hall. Work on this is ongoing.</p> <p>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</p>

	<p>Millennium Green Trust was registered on the 9th August 1999 and its Registered Charity number is 1077394. The Trust Deed's principal covenants are:</p> <p><u>Goxhill Memorial Hall</u> 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 council's accounts and have noted that the cost of maintaining the Millennium Green has been incurred by the council and is included in its accounting records and year-end Accounting Statement. The External Auditor has confirmed that the council can incur such expenditure if the Trust has no funds of its own.</p>
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		<p>The External Auditor has suggested, however, that, for transparency purposes, the council minutes record that:</p> <p><i>“because there are no Trust Fund monies available, the council has spent its own funds on the maintenance and upkeep of these assets and areas for the good of the community as a whole.”</i></p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The council should minute that, <i>“Because there are no Trust Fund monies available, the council has spent its own funds on the maintenance and upkeep of the Millennium Green for the good of the community as a whole.”</i>
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Executive Summary

This report identifies that the accounts and governance arrangements of the council require review in some areas to reflect the requirements of the 2020 NALC/SLCC Governance and Accountability Guide for Local Councils. This is partly attributable to the severe restrictions imposed by the Covid 19 pandemic.

The internal financial control environment within the council also requires review to reflect Government requirements and guidance. The adoption of the above recommendations in this report will assist in this process and enhance and strengthen the systems, procedures, and governance arrangements already in place.

The Clerk is to be congratulated on the continuing maintenance of systems and procedures necessary for the council to function whilst operating under very difficult circumstances during the current pandemic.

The Internal Audit has been conducted in accordance with the Governance and Accountability for Local Councils – Practitioners Guide 2020.

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

18th May 2021

Public Sector Audit

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