

## **LITTLE BARDFIELD PARISH COUNCIL REPORT OF INTERNAL AUDIT REVIEW FOR 2019-20**

### **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 the year 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 take this opportunity to express my appreciation to Mrs Liz Williamson, the Clerk and Responsible Finance Officer to the Council, for her assistance.

### **Findings**

The major findings and recommendations are listed below. More detailed findings and recommendations to address any issues are contained in the Appendices to this report.

1. Financial transactions are now recorded in a sophisticated spreadsheet. Transactions relating to the Community Fund are recorded separately and a second bank account is used. VAT is recorded separately in the spreadsheet but net costs are not identified which is misleading because they reflect the true cost to the council.
2. A report showing payments to date against the current year's budget and a model projecting the annual position through to 2025 were presented to the November meeting of the council. These informed the decision to increase the precept by 8%. Regular monitoring of progress against budget during the year is also now possible. The general reserve is more than 2½ times the precept which would normally be considered rather large.
3. Standing Orders were approved by the Council at its meeting in May 2019. Financial Regulations were also reviewed at the same meeting and noted as requiring updating. It was noted that cheque stubs and invoices are no longer being initialled by those signing the cheques to evidence that they had seen them.
4. A VAT claim had been prepared for amounts paid during this year. It is unclear whether a claim for VAT incurred in 2017/18 and 2018/19 has ever been made.
5. Income was properly recorded and no VAT on income was due. A risk assessment was considered at the meeting in May 2019.
6. Salaries were paid to the former and current clerk in accordance with council approvals. HMRC have decreed that all local council clerks are subject to PAYE as employees. Although income tax is due on the Clerk's salary, it has not been deducted from her pay and remitted directly to HMRC.

7. The register of assets owned by the Council had been updated to reflect the disposal of a bench to the church and purchase of a defibrillator. The defibrillator was added at gross cost, including VAT which will be recovered.
8. The Council met the criteria for exemption from a limited assurance review in 2018/19 and completed the certificate correctly. The notice of public rights to examine the accounts for 2019/20 was correctly completed. It could not be found on the current website, however.
9. The Transparency Code for Smaller Authorities requires various information to be posted on the council's website. No problems were found.

### **Recommendations**

With reference to the above findings I recommend that the council address the following points:-

1. Values net of VAT should be recorded and used in financial reports to reflect the true cost of goods and services to the council, with VAT being shown separately.
2. Initialling cheque stubs and invoices by cheque signatories should be re-instated.
3. The income tax due on the clerk's salary must be deducted and sent to HMRC.
4. If not already received, a VAT claim covering 2017/18 and 2018/19 should be submitted promptly before they become time-expired. *It is understood that claims for 2018/19 and 2019/20 have been submitted.*
5. Assets should be valued at the new cost to the council, excluding VAT. *It is understood that the asset register has been adjusted to reflect this.*
6. The notice of public rights must be posted on the council's website as well as the noticeboards

### **Opinion**

Although there are still a number of shortcomings in the management of the financial affairs of the council there have been some major improvements, especially with the introduction of the spreadsheet and regular reports comparing spend to budget. I feel sure that, as the Responsible Finance Officer gains experience and with the ongoing help of the council, the situation will continue to improve still further.

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Nancy Powell Davies ACMA, CGMA

## LITTLE BARDFIELD PARISH COUNCIL – DETAILED FINDINGS 2019/20

Expectation	Findings	Recommendations
A Appropriate books of account have been properly kept throughout the year.	<ul style="list-style-type: none"> <li>Financial transactions are recorded in a sophisticated spreadsheet. Transactions relating to the Community Fund have now been separated from those relating to the council and a separate bank account is used.</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, expenditure was approved and VAT was appropriately accounted for.	<ul style="list-style-type: none"> <li>Standing Orders were approved by the Council at its meeting in May 2019. Financial Regulations were also reviewed at the same meeting and noted as requiring updating.</li> <li>It was noted that cheque stubs and invoices are no longer being initialled by those signing the cheques to evidence that they had seen them.</li> <li>VAT is recorded separately in the spreadsheet but net costs are not identified which is misleading because they reflect the true cost to the council.</li> <li>A VAT claim had been prepared for amounts paid during this year. It is unclear whether a claim for VAT incurred in 2017/18 and 2018/19 has ever been made.</li> </ul>	<ul style="list-style-type: none"> <li>Initialling cheque stubs and invoices by cheque signatories should be re-instated.</li> <li>Values net of VAT should be recorded and used in financial reports to reflect the true cost of goods and services to the council, with VAT being shown separately.</li> <li>If not already received, a VAT claim covering 2017/18 and 2018/19 should be submitted promptly before they become time-expired.</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 was considered at the meeting in May 2019.</li> </ul>	<ul style="list-style-type: none"> <li>Agreed that expectation met with.</li> </ul>

Expectation	Findings	Recommendations
<p>D The annual precept requirements resulted from an adequate budgetary process; progress against budget was regularly monitored; and reserves were appropriate.</p>	<ul style="list-style-type: none"> <li>• A report showing payments to date against the current year's budget and a model projecting the annual position through to 2025 were presented to the November meeting of the council. These informed the decision to increase the precept by 8%.</li> <li>• Regular monitoring of progress against budget during the year is now possible.</li> <li>• A reserve of £2,000 has been set aside to cover the costs of any possible contested election. The balance in the Community Fund can be considered like an earmarked reserve. The remaining general reserve is more than 2½ times the precept which would normally be considered rather large. As the council doesn't have large resources it may not be deemed excessive, however.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed that expectation met with.</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>• Income was properly recorded and no VAT on income was due.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed that expectation met with.</li> </ul>
<p>F Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.</p>	<ul style="list-style-type: none"> <li>• No petty cash account is maintained. Minor expenses are claimed by the clerk on a quarterly basis and paid by cheque.</li> </ul>	<ul style="list-style-type: none"> <li>• Not applicable</li> </ul>

Expectation	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>• Salaries were paid to the former and current clerk in accordance with council approvals.</li> <li>• HMRC have decreed that all local council clerks are subject to PAYE as employees. Although income tax is due on the Clerk's salary, it has not been deducted from her pay and remitted to HMRC.</li> <li>• No allowances were paid to members.</li> </ul>	<ul style="list-style-type: none"> <li>• The income tax due on the clerk's salary must be deducted and sent to HMRC.</li> </ul>
<p>H Asset and investment registers were complete and accurate and properly maintained.</p>	<ul style="list-style-type: none"> <li>• The register of assets owned by the Council had been updated to reflect the disposal of a bench to the church and purchase of a defibrillator. The defibrillator was added at gross cost, including VAT which will be recovered.</li> <li>• The council has no long term investments.</li> </ul>	<ul style="list-style-type: none"> <li>• Assets should be valued at the new cost to the council, excluding VAT.</li> </ul>
<p>I Periodic and year end bank account reconciliations were properly carried out.</p>	<ul style="list-style-type: none"> <li>• Bank account reconciliations are appropriately carried out.</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>• Mileage and clerk's expenses were not always identified separately from pay in the accounts. This means that the staff costs at line 4 of the AGAR as presented to me are overstated.</li> <li>• Year end accounts are prepared on a Receipts and Payments basis which is appropriate for a council of this size.</li> </ul>	<ul style="list-style-type: none"> <li>• Care should be taken to identify gross pay separately from other costs.</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 completed the certificate correctly.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed that expectation met with.</li> </ul>
<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 to examine the accounts for 2019/20 was correctly completed. It could not be found on the current website, however.</li> </ul>	<ul style="list-style-type: none"> <li>• The notice of public rights must be posted on the council's website as well as in the noticeboards.</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 individual items of expenditure are included in the End of Year Accounts</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 Statement of Accounts in the format included in the annual report form was found on the council's website.</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 Annual Governance Statement in the format included in the annual report form was found on the council's website.</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 Internal Audit Report in the format included in the annual report form was found on the council's website.</p>

Requirement	Finding
<p><b>PUBLICATION OF LIST OF COUNCILLOR RESPONSIBILITIES</b></p> <p>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>The council website lists the names and contact details for all the councillors. The chairman and vice chairman of the council are noted but no other specific responsibilities.</p>
<p><b>PUBLICATION OF LAND AND BUILDING ASSETS</b></p> <p>Smaller local councils should publish details of all public land and building assets.</p>	<p>The full list of tangible assets has been posted to the Little Bardfield website.</p>
<p><b>PUBLICATION OF MINUTES, AGENDAS, AND PAPERS OF FORMAL MEETINGS</b></p> <p>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.</p> <p>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 and minutes of council meetings in 2019/20 have been posted to the Little Bardfield website.</p>