

**Internal Audit Report**

(to be read in conjunction with the Annual Internal Audit Report in the Annual Governance and Accountability Return)

Name of council:	Stoughton Parish Council		
Name of Internal Auditor:	Cathy Walsh	Date of report:	9 July 2020
Year ending:	31 March 2020	Date audit carried out:	6 & 7 July 2020

*Internal audit is the periodic independent review of a council's internal controls resulting in an assurance report designed to improve the effectiveness and efficiency of the activities and operating procedures under the council's control. Managing the council's internal controls should be a day-to-day function of the staff and management and not left for internal audit.*

***The council is required to take appropriate action on all matters raised in reports from internal and external audit and to respond to matters brought to its attention by internal and external audit. Failure to take appropriate action may lead to a qualified audit opinion.***

**To the Chairman of the Council:**

Due to the Covid-19 pandemic and because of the legal distancing restrictions imposed by the UK government I carried out the audit remotely, by e-mail. I would thank Karen Giddings, Clerk and RFO for her co-operation and assistance in delivering the audit.

I firstly sought evidence that the previous year's Internal Audit report had been properly reported to and actioned by the Council. The Council certified itself exempt from a limited assurance review under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015. The Internal Audit report agreed that the internal control objectives throughout the financial year were being achieved to a standard adequate to meet the needs of this authority. I could not find evidence in the minutes that the report had been presented to the Council.

I then examined the Council's arrangements for the management and control of its business in the areas of bookkeeping, due process (i.e. compliance with the proper practices as set out in the Practitioners' Guide), risk management, budget setting and monitoring, payroll, asset register, bank reconciliations, internal control and year-end procedures. This was achieved through examination of the publicly available

information displayed on the Council's website – policies, procedures, agendas, minutes, financial and other records – and where necessary I requested and was provided with supplementary evidence to enable me to reach a conclusion regarding the enquiries I am required to make and that are set out in the Annual Internal Audit Report (AIAR) that forms part of the Annual Governance and Accountability Return (AGAR). This supplementary information was provided in the form of written answers to the questions raised together with scanned documents, including the Accounting Statements, section 2 of the AGAR.

I made the following observations and identified the following matters for consideration:

### **1. BOOK KEEPING**

All details were recorded in the financial ledger, and appeared in order, with correct arithmetic detail and evidence of control.

Payments in the ledger were supported by invoices but were not always authorised and minuted at the Council's meetings.

The Council claimed a VAT refund for the period 01 April 2018 to 31 March 2020. However, the amount claimed on the VAT126 form and the amount of VAT paid as per the Cashbook does not balance. There is a discrepancy of £10.54.

### **2. DUE PROCESSES**

#### **Standing Orders**

The Standing Orders published on the Council's website are dated 16 December 2012. I can find no evidence in the Minutes that these have been reviewed or adopted since this date. Due to the COVID-19 crisis and the changes in legislation to allow Parish and Town councils to meet and operate/function via virtual methods, amendments to standing orders will need to be adopted during this time. The Council may want to consider looking at the NALC Model Standing Orders which support the new empowerment enshrined in the Coronavirus Act 2020 and associated 2020 Regulations.

#### **Financial Regulations**

The Financial Regulations published on the Council's website and those provided electronically by the Clerk are in draft form. I can find no record of these being adopted or reviewed by the Council or being tailored to meet the Council's individual needs.

#### **Equal Opportunities Policy**

The Council does not appear to have adopted an Equal Opportunities Policy.

#### **Agendas**

The majority of agendas are published giving the required three clear days' notice. However, this is not always the case and on occasions the correct notice period has not been given.

The wording of agenda items is vague and does not specify exact business. Each agenda item should make it very clear what the Council is expected to do and be precise about the subject under discussion.

### **Committee Terms of Reference**

The Terms of Reference for the Community Gardens Plots Committee was available from the clerk upon request. The document is not marked with a date and I could not find a record when this was adopted. I found a discrepancy between the figures reported on the Community Gardens Accounts against the Cashbook expenditure.

### **Website**

The Parish Council's website is reasonably up to date with policies and procedures, and I know that the clerk has been working hard to ensure that required documents are published on the website. Most of the mandatory items complying with the Transparency Code have been published by the required date for 2019/20. I would recommend that the Council take guidance from the 'Department for Communities and Local Government: Transparency code for smaller authorities'. The code is mandatory from 1 April 2015 and requires the online publication of key spending and governance information on the occasions specified in the Code.

I noted that the Council did not publish details required by the Code prior to 01 July 2020. The Council certified itself exempt from a limited assurance review for 2018/19 and as such I would expect the Council to comply with the transparency requirements laid out in this Code.

The minutes and agendas from the Community Gardens Plots Committee are not available on the website. All councils with a turnover of less than £25,000 MUST by law publish on a website draft minutes of all council meetings (*including committees*) within a month of the meeting taking place, even if still draft.

I would recommend a complete review of the website to ensure that it is all up to date and compliant. I would also recommend uploading files in PDF format rather than Word documents.

## **3. RISK MANAGEMENT**

### **Annual Risk Assessment**

The Council does have a Risk Register and Financial Risk Assessment Policy in place. However, I could not find any record of an annual risk assessment taking place.

### **Minutes**

I was provided with scanned copies of the Minutes from two Parish Council meetings. Whilst these were signed overall by the Chairman, I would also recommend that each page is initialled by the Chairman and page numbering is used.

### **Bank Reconciliations**

I am advised that Bank Reconciliations are performed and regularly presented to the Council. However, evidence of approval of the reconciliation and confirmation of

sight of Bank Statement by the Council is good recommended practice. (Refer to JPAG guide, March 2019, para. 1.10 and 5.21 to 5.25).

### **Annual Budget**

The Council's budget for 2019/20 lacks details of budgeted income and I could not see any evidence of the Council holding funds in reserves. In order to maintain adequate financial reserves to cushion the impact of unexpected events or emergencies, NALC (the National Association of Local Councils) recommend that Parish Councils keep General Reserves at a level of between 3 and 12 month's precept.

I have looked through the published Minutes for 2019/20 and have not been able to find evidence of the Council's budget being approved.

### **Precept Demand**

The Council's precept demand has not been properly minuted. There is no resolution to approve the precept requirement or details of the level of precept demand published in the Minutes for 2019/20.

### **Approval of Annual Governance and Accountability Return (AGAR)**

The approval of Section 1 – Annual Governance Statement and Section 2 – Accounting Statements as part of the AGAR 2018/19 has not been minuted correctly or approved within the required timeframe. The AGAR was approved during the meeting held on 02 July 2019 and minuted as 'AGAR signed and sent to PKF Littlejohn'. The Council must approve Section 1 before approving section 2 and both should have been approved and published on a website before 01 July 2019.

## **4. ANNUAL COUNCIL MEETINGS**

The Council did not hold an Annual Meeting of the Council in the reporting period. It held a meeting on 07 May 2019; however, this was held as an ordinary meeting of the Parish Council and as such was not compliant with statutory requirements.

Please see Schedule 12, Meetings and Proceedings of Local Authorities, Local Government Act 1972:

*A parish council shall in every year hold an annual meeting.*

*(2) In a year which is a year of ordinary elections of parish councillors, the annual meeting of a parish council shall be held on, or within fourteen days after, the day on which the councillors elected at that election take office, and in any other year the annual meeting shall be held on such day in May as the parish council may determine.*

The Council did not hold an Annual Parish Meeting. By law this must be held between 1st March and 1st June.

## Summary

I am satisfied that the conduct and management of the Council's finances was in order. However, I did find a number of accounting errors and I would recommend that the Council take steps to prevent these from happening in the future by reconciling the accounts on a regular basis.

I am unable to confirm that control objective C in the Annual Internal Audit Report (AIAR) was achieved throughout the financial year to a standard adequate to meet the needs of the Council and so have answered 'no' to that question and I trust that this matter will now be addressed and remedied.

I am unable to confirm that control objective D in the AIAR was achieved throughout the financial year to a standard adequate to meet the needs of the Council and so have answered 'no' to that question and I trust that this matter will now be addressed and remedied.

I am unable to confirm that control objective L in the AIAR was achieved. There is no evidence that 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 and so have answered 'no' to that question.

I reiterate it is essential that between them, the Clerk and Council ensure that minuting, especially where the council is undertaking regulatory and other key and core tasks such as approving payments and other financial transactions is accurate, clear and informative. Both Internal and External Audit will expect and so will always look for a confirmatory minute because as the legal record of the business transacted at a meeting, a minute is the best and only acceptable evidence of the council having complied with its obligations.

This report is based on the evidence made available to me. It would be incorrect to view internal audit as the detailed inspection of all records and transactions of a council in order to detect error or fraud. Consequently, the report is limited to those matters set out above. I confirm that through examination of information displayed on the website and questioning, I tested all the aspects of the Council's internal controls that I am required to consider. Accordingly, I have completed and signed off the Annual Internal Audit Report of the AGAR as required.

Yours sincerely,

Mrs Cathy Walsh  
Internal Auditor to the Council  
07840 453 493

The figures submitted in the Annual Governance and Accountability Return are:

	<b>Year ending 31 March 2019</b>	<b>Year ending 31 March 2020</b>
1. Balances brought forward	6,790	7,099
2. Annual precept	7,700	8,450
3. Total other receipts	1,947	806
4. Staff costs	2,316	2,485
5. Loan interest/capital repayments	0	0
6. Total other payments	7,022	6,436
7. Balances carried forward	7,099	7,434
8. Total cash and investments	7,099	7,434
9. Total fixed assets and long-term assets	144,634	144,732
10. Total borrowings	0	0

The proper practices referred to in Accounts and Audit Regulations are set out in *Governance and Accountability for Smaller Authorities in England (2018)*. It is a guide to the accounting practices to be followed by local councils, and sets out the appropriate standard of financial reporting to be followed. A copy of the guide is available for free download from:

<http://www.leicestershireandrutlandalc.gov.uk/uploads/governance-and-accountability-for-smaller-authorities-in-england-2019-sections-1-5-1.pdf>