

Public Sector Audit

Howden Town 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 |
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| 1 | Have appropriate books of account been properly maintained throughout the year? | <p><u>Appropriate accounting records</u></p> <p>Findings</p> <p>The council's computerised accounting records, designed by Rialtas Business Systems (RBS), could not be located following the Clerk's departure from the council at the end of March 2020. The council arranged therefore for the records to be reconstructed on spread sheets from bank statements and available documentation. These were then used to provide the financial information required for the completion of the Annual Governance and Accountability Return (AGAR) for the External Auditor.</p> <p>Five items of expenditure during the year have been analysed under "staff costs" for inclusion in box 4 on the AGAR which are not appropriate expenditure for this statutory analysis. These were in respect of a mobile phone, "Bailey employment", garden maintenance equipment, road sweeper supplies and training. The Government requires that these costs should be analysed as "all other payments" in the cash book for inclusion in box 6 on the AGAR.</p> <p>The spread sheets have been analysed from the invoices, vouchers and receipts that were available. There have been unauthorised payments, which were not supported by documentary evidence; this means that the correct analysis of all expenditure cannot be determined.</p> <p>The Acting Clerk has confirmed that RBS will be introduced as soon as the balances for the close of financial year 2019/20 have been agreed by this audit. The services of RBS will be used to set up the accounting system for 2020/21.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● The services provided by the council's accounting software supplier should be used to ensure that that the system is set up correctly and fully utilised from the outset to provide the information required for financial reporting to council, budget monitoring, bank reconciliation and the preparation of the AGAR. |

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| | | <ul style="list-style-type: none"> ● Only costs associated with staff, as identified in the 2019 NALC/SLCC Governance and Accountability Guide, should be analysed as staff costs for inclusion in box 4 on the AGAR. |
| 2 | <p>Have the council's Financial Regulations and Standing Orders been formally adopted and complied with?</p> | <p><u>Adherence to Financial Regulations and Standing Orders</u></p> <p>Findings</p> <p>Last year it was recommended that the council should adopt the latest NALC model Standing Orders and Financial Regulations. At the council meeting held on the 19th May 2020 the council reviewed and approved revised Standing Orders and Financial regulations. The minutes confirm that these reflect the latest July 2018 NALC Model Standing Orders and the latest July 2019 NALC Financial Regulations.</p> |
| 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 to ensure that there is a formal invoice and that the expenditure has been reported to council. The following matters arose during testing:</p> <ul style="list-style-type: none"> ➤ An invoice has been paid to a firm of Architects in respect of a feasibility study at Howden Shire Hall and the VAT element has been identified in the cash book for reclaim from HMRC. The council is unable, however, to use its status as a section 33 body under section 33 of the VAT Act 1994 (which allows local authorities and similar bodies, such as a Town and Parish council, to recover the VAT incurred in the course of performing their public duties) to recover VAT for another organisation. A further invoice for Shire Hall, for a late night shopping event, has been paid direct by the council and recorded in the cash book as "All other payments" for inclusion in box 6 on the AGAR. ➤ A grant to Howden Minster was paid during the year. <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that a review of the scope of s.137 has been undertaken to ensure that future grants are within the scope of this statutory power. Confirmation has been obtained from ERNLLCA that the payments can be made for the Church tower lights. ➤ On one occasion, an invoice from ERYC for a planning application which included VAT, was recorded in the cash book without the VAT element being identified for reclaim purposes. <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that RBS will be used for this purpose when this audit has |

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| | | <p>been completed.</p> <ul style="list-style-type: none"> ➤ Documentary evidence in support of a high number of payments was not available. <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that all invoices and receipts are now being filed on a folder and the Resources and Asset Management Committee (RAM) will maintain an overview and periodic recorded audit. ➤ A high number of payments have not been included on the schedules of payments included in the minutes for authorisation by council. Many of these are in respect of cash withdrawals from ATM's and purchases that appear to be of a personal nature rather than normal council expenditure. <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that every payment, regardless of size, will be reported to council for review and authorisation. ➤ Some expenses payments, including telephone, contracted road sweeper, equipment parts/repairs and training, have been included under staff costs in the reconstructed cash book. Also, on one occasion, a salary payment for the Clerk has been included in all other payments in the cash book. <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that RBS will be used for this purpose when this audit has been completed. ➤ I have seen no evidence that the council has submitted a reclaim of VAT to HMRC for the year. The Chairman has confirmed that he can find no record of any claims being made from 2017/18 onwards. <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that the VAT reclaim for 2020/21 will be undertaken using RBS. The previous year's outstanding claims will be completed manually and the Responsible Financial Officer will take note of guidance from HMRC. <p>I have reviewed payments for completeness, accuracy, the correct year of account and compliance with Financial Regulations. I was unable to confirm compliance with the council's Financial Regulations as evidence of competitive quotations for contracts or estimates for high value purchases was not provided to audit for verification.</p> |
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| | | <ul style="list-style-type: none"> ➤ Last year it was recommended that urgent steps must be taken to establish a robust internal financial control system to prevent unauthorised payments. These include, a formal accounting system including detailed cost codes for all areas of council expenditure, at least two council Members authorising all expenditure, monthly bank reconciliations which are reviewed and authorised by the council and regular and detailed budget monitoring reports that are reviewed and approved by council. <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that the council will utilise the RBS accounting system, updated at least weekly, to include: detailed cost codes, monthly reporting to council - and more detailed reporting to RAM - of all income and expenditure. Monthly bank reconciliations and regular detailed ongoing budget monitoring reports to council will be maintained. All of which will assist in the establishment of a more robust internal financial control system. ➤ Last year it was recommended that the council's debit card should be withdrawn and cancelled as a matter of urgency. <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that the existing debit card is to be destroyed and a new debit card, in the name of the interim RFO, is to be obtained. Also, appropriate authority from council is to be obtained and a procedure established to change the card holder with staff changes. ➤ Financial Regulations regarding instructions for all payments made by BACS, confirm that they should be signed, or otherwise evidenced, by two authorised bank signatories, retained and all payments should be reported to council and authorised by the Chairman and a second authorised signatory. I have received no evidence that two signatories have initially approved all payments made by the council and that a second signatory has authorised the schedule of payments presented to council. <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that all BACS payments will be pre-authorised by two Member's signatures, which will be dated. ➤ Two cheque books have been submitted to audit for review; a small number of cheques have been |
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issued during the year. I have reviewed the cheque stubs for evidence of compliance with the two signature rule and noted that one of the stubs, dated the 25h November 2019, has been initialled by only one cheque signatory.

- The Acting Clerk has confirmed that, in the future, cheque stubs will be initialled by both signatories at the time of signing.
- Last year it was reported that the issue of councils requiring a licence if they play recorded music in public had been raised. It is NALC's view that a council is obliged to pay for a PPL PRS Music Licence if it plays recorded music in public.
 - The Acting Clerk has confirmed that the use of recorded music and the requirements for a PRS licence will be reviewed and reported to the appropriate committee.
- It was also reported last year that it should never be assumed that registration for VAT purposes means that all value added tax can be recovered. Owing to the complexity of VAT legislation, it is recommended that advice be sought from HMRC when any new projects are undertaken, significant capital expenditure is being considered or any new matters arise.
 - The Acting Clerk has confirmed that guidance will be sought from HMRC regarding the recovery of VAT on all future council expenditure.

Recommendations

- The Trustees of Howden Shire Hall should pay all invoices addressed to, and in respect of, the hall. The council may then reimburse the Trustees the total value of any invoices it wishes, using the powers it has under s.137 of the Local Government Act 1972. The total paid for any such invoices (including the VAT element) should then be coded to s.137 in the council's accounts and not be included in the VAT reclaim to HMRC. The Acting Clerk has confirmed that a review of the scope of s.137 will be undertaken to ensure that future coding is correct.
- The council should not make direct payments on behalf of Shire Hall and record them in the council's accounts as "All other payments". This results in them being included in box 6 on the AGAR; the requirements of the Government and External Auditor are that no Trust expenditure should be included in the council's

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| | | <p>accounts. Such expenditure can only be incurred by the council using the powers it has under s.137 and must be coded to this statutory power in the council's accounts. Again, the Acting Clerk has confirmed that a review of the scope of s.137 will be undertaken to ensure that future coding is correct.</p> <ul style="list-style-type: none"> ● Documentary evidence of competitive quotations and estimates obtained by the council in accordance with Financial Regulations should be retained and submitted to audit for verification purposes. ● The use of debit cards increases the risk of unauthorised or inappropriate purchases being made. The council should, therefore, ensure that it puts in place robust procedures to minimise such risks and maintains a detailed review of all expenditure incurred using this method of payment. |
| 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>Last year's review of the council's Risk Assessments identified that the wording and referencing is out of date and requires urgent review. Also, in view of the findings of the audit, the control measures described as being in place and adequate were clearly not being implemented or reviewed. These included, inter alia, lack of financial control and internal check procedures, banking, Internal Auditing, salaries, VAT, insurances, assets and inadequate financial records.</p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that the council is developing a robust and comprehensive financial review system; it will implement a review of all financial risk assessments at RAM for recommendation to council. Minute 20-07.2 of the RAM Committee held on the 12th May 2020 <i>"Recommended to council to accept the financial risk assessment presented and that it should be reviewed on a regular basis."</i> Minute 19-194.14 of the council meeting held on the 19th May 2020 confirmed and approved that <i>"As no financial risk assessment had been undertaken by the former Clerk, one had been done using the ERNLLCA model. It was accepted that this version needed developing."</i> The Acting Clerk has further confirmed that the agreed layout will be populated and regular reviews of financial risk will be undertaken and the outcome recorded. <p>Last year it was recommended that the council's Risk Assessments should be annually reviewed and approved by council; they should be dated and signed as both prepared and authorised whenever they are updated.</p> |

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| | <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that all risk assessments will be signed and dated by the RFO on preparation and by the Chairman of the appropriate meeting on acceptance. <p>On five occasions during the year, council's minutes included a report on safety matters at Minster grounds, the March and on one occasion at Knedlington Cemetery. The minutes record any safety issues arising during the monthly inspections of council land and property. Evidence of the inspections that have been undertaken has not been provided to audit for review and verification. Last year it was recommended that:</p> <p><i>"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 authorised. 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."</i></p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that he has prepared detailed inspection sheets for all areas, together with a procedure note; these will be presented to council for acceptance. The Acting Clerk has also confirmed that all inspections will be documented, signed by the inspector and reviewed by the Clerk; any actions to be taken will be classified as routine or urgent, reported to committee and actioned. <p>It is noted that the council also contracted with an independent play inspection company to provide an annual inspection of Derwent Park.</p> <p>The council's insurance policy was renewed on the 1st June 2019. I have reviewed the limits of indemnity and all are considered to be adequate. It is not known what levels of cash the council receives or keeps in the course of its business.</p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that the insurance schedule and cover provided by the policy will be reviewed in detail annually by RAM, together with the financial risk assessment. Minute 20-10.1 of the RAM Committee held on the 12th May 2020 recommended that the council accept the pre- |
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| | | <p>renewal review together with the amendments made. Minute 19-194.21 of the council meeting held on the 19th May 2020 approved this recommendation.</p> <p>Last year it was noted that a comparison of the insurance policy with the Asset Register, as at 31st March 2018, identified that many council assets are not included on the schedules of assets in the insurance policy. It was recommended that:</p> <p><i>“The Insurance schedule and Asset Register should be subject to a detailed review to confirm that all assets that the council owns or are responsible for are adequately insured.”</i></p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that the asset register policy is to be developed and the register is to be updated for review annually by RAM for the Annual Return and the insurance renewal. <p>Last year I reviewed the council's security arrangements in respect of electronic data. The Chairman confirmed that the previous Clerk had an external hard drive but no back-ups have been maintained since 2017. It was confirmed that the council's computer is protected by a log on password.</p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that an immediate weekly backup to the external hard drive (which will be password protected or encrypted) will be implemented. A policy document will be drafted to confirm the procedure and also the location of the hard drive. A review will also be undertaken to determine whether the current system is suitable or if a different arrangement is required. <p>Last year it was noted that I had seen no evidence that the council had taken steps to ensure that it is compliant with the requirements of the General Data Protection Regulation (GDPR) 2018.</p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that he will report on the requirements of GDPR and what the council needs to do to fully comply with the regulations. <p>Recommendation</p> <ul style="list-style-type: none"> ● The council should check the insurance policy schedule to ensure that the cover provided in respect of cash is adequate for the council's needs. |
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| 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>The Chairman presented the draft budget for consideration to the RAM Committee held on the 9th January 2019. Detailed discussion took place on various budget lines and it was agreed to <i>"recommend to Council that a Precept of £166,505 be requested."</i> Minute 1917 of the council meeting held on the 15th January 2019 approved the Precept of £166,505 for 2019/20.</p> <p>A financial review for the period 1st April to the 30th September 2019 was presented to the RAM Committee on the 22nd October 2019. No further financial reviews were presented to the RAM Committee during the year. Minute 19-15 of the RAM Committee held on the 12th November 2019 noted that <i>"The Clerk was unable to close the year end on the Rialtas system. She was arranging some further training from Rialtas to better understand why this was."</i></p> <p>Last year's audit recommended that the use of the council's RBS accounting package will automatically provide the council with monthly budget monitoring reports for both receipts and payments. These should be presented to council at least quarterly to enable Members to make any decisions necessary in the event of budget overspends or budgeted income not materialising.</p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that RBS accounting will be restarted once the financial year 2019/20 closing balances have been entered and the RFO is competent to utilise the software. Also budget monitoring reports will be presented RAM for scrutiny at least quarterly whether or not RBS is utilised. <p>The committee papers presented to the RAM Committee on the 14th January 2020 identify committed earmarked reserves of £72,845.80 and a general revenue reserve of £30,083.06 per the 2019/20 budget monitoring statement. Minute 19-20.2 of the meeting confirms that new budget headings for earmarked reserves had been added in respect of: £5,000 for Project Loo, £5,000 for Derwent Park and £5,000 for OFS/store fund. The Acting Clerk has confirmed that the council holds £25,000 as a contingency reserve. This represents 13% of the 2020/21 Precept and is considered to be low for a council the size of Howden Town Council.</p> |
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| | | <p>The 2019 Governance and Accountability Guide for Local Councils identifies that <i>"The generally accepted recommendation with regard to the appropriate minimum level of a Smaller Authority's General Reserve is that this should be maintained at between three (3) and twelve (12) months Net Revenue Expenditure (N R E). Net Revenue Expenditure (subject to any planned surplus or deficit) is effectively Precept\Levy less any Loan Repayment and/or amounts included in Precept\Levy for Capital Projects and transfers to Earmarked Reserves. The reason for the wide range (3 to 12 months) is to cater for the large variation in sizes of individual authorities. The smaller the authority the closer the figure should be to 12 months N R E, the larger the authority the nearer to 3 months. In practice, any authority with an N R E in excess of £200,000 should plan on 3 months equivalent General Reserve."</i></p> <p>The Guide also identifies that; <i>"In all of this it is important that each authority adopt, as a General Reserve policy, the level appropriate to their size and situation and plan their Budget so as to ensure that the adopted level is maintained. Changes in activity levels/range of services provided will inevitably lead to changes in the requisite minimum level of General Reserve in order to provide working capital for those activities."</i></p> <p>Recommendations</p> <ul style="list-style-type: none"> ● The council should review its balances with a view to increasing its general (contingency) reserve to the level recommended by the Government. ● The council should also consider the adoption of a formal General Reserves Policy that satisfies the guidance provided to ensure that it is able to provide sufficient working capital to meet any unforeseen circumstances that may arise. |
| 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>The Budget monitoring report presented to the RAM Committee on the 14th January 2020 identifies income in respect of the Precept, office rent, room hire, events, grants, Asselby Joint Burial Committee, allotment rent, wayleaves, cemetery fees - Joint Burial Committee, donations, sundry and bank interest.</p> |

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| cash equivalents effective? | <p>It was recommended last year that the council should maintain a formal Scale of Charges which identifies the charges it makes for all of its services and the date and minute reference when the charges were last reviewed and approved by council. This will provide a basis from which to audit council income in the future.</p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that the Clerk/RFO will prepare a formal Scale of Charges and present this to RAM to consider and recommend to council. <p>It was reported last year that no documentary evidence in support of council income was provided to audit to facilitate verification of the receipts identified on the reconstructed accounting record and on the bank statements. It was recommended that documentary evidence in support of all income received by the council should be maintained and presented to audit for review and verification.</p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that sequentially numbered invoices/receipts will be issued for all income received and filed together for audit purposes. <p>It was recommended last year that a documented audit trail should be maintained for all council income raised, to facilitate the verification of income from the point of receipt to payment into the bank. Cross referencing of all income paid into the bank is important to allow for the checking of all income streams to paying in slips and the bank statements.</p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that a correct accounting and reporting procedure will be implemented. Invoices, receipts and paying in slips, documenting all ID. numbers and amounts will be provided. All income will be reported to council monthly and RAM at each meeting. <p>It was recommended that all income received should be recorded in the accounting system and banked intact in a timely manner.</p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that Income received will be banked and recorded in the accounting system in at least the same week that it has been received. <p>It was recommended that separate analyses of council events should be maintained for control purposes and presented to audit for verification purposes.</p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that, for every council event, the Clerk/RFO will prepare a written income and expenditure report for the appropriate committee to oversight and for RAM. |
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| | | <p>It was also recommended that the council should note and comply with the internal control requirements - in relation to income - which are contained in the 2019 NALC/SLCC Governance and Accountability Guide for Local Councils.</p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that the Clerk and RFO will review the guidance and ensure that the council is operating within the requirements. <p>Last year it was noted that, during discussions with other Town and Parish Councils, it has become apparent that the Clerks of some councils have received different and sometimes conflicting advice from consultants in respect of charging VAT on some council services. It was recommended that, as VAT is extremely complex, if the council is in any doubt about the correct VAT treatment in respect of providing goods or services to the public, detailed advice and guidance on the council's specific situation should be sought from HMRC. This recommendation is specifically in relation to the possibility that, depending on the circumstances, the council may need to charge VAT on the services it provides to the public.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● The use of spreadsheets for council events, on which to record details of income and expenditure for each event, would facilitate the review by council and provide an audit trail for Internal Audit review and verification. ● Guidance should be sought from HMRC if the council charges for the services it provides and is unsure of the VAT implications in respect of such charges. |
| 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>I have seen no evidence that the council maintains a petty cash float and Financial Regulations confirm that this is the case.</p> <p>Small items of sundry expenditure incurred by the Clerk have been reimbursed via the normal payments system.</p> |

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| | <p>Has VAT been correctly accounted for?</p> | <p>It was recommended last year that all sundry items of expenditure should be included on the schedules of payments that are reported to council for authorisation.</p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that schedules of payments will include every payment since the last reporting date. |
| 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</p> <p><u>Previous year recommendations</u></p> <p>The previous audit identified that the Clerk's contract of employment had not been signed by either the Clerk or the council; the council's two other employees had not been issued with contracts of employment.</p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that new contracts have been drawn up and been issued for signature by the employees and the Chairman of the Personnel and Grievance Committee. <p>I was unable to agree the gross pay paid to the handyman last year as no time sheets were available for verification of the total hours paid each month.</p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that he will ensure that timesheets will be completed daily and authorised by the Clerk prior to payment. The completed time sheets will be retained for audit purposes. <p>The council has claimed National Insurance Employment Allowance during the year and hence the council's element of National Insurance has been incorrectly rebated by HMRC.</p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that he has advised the council's payroll provider during May 2020 to cease claiming the allowance. <p>The amounts paid to HMRC in respect of PAYE and NI in April, June, July, September, October and December 2019 and March 2020, do not agree to the council's Employment summaries. The differences are in respect of Employment Allowance which has now been stopped.</p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that the estimated completion date to correct this is the 30th August 2020. |

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| | <p>Last year it was recommended that the council should note and comply with employment and payroll responsibilities contained in the 2019 NALC/SLCC Governance and Accountability Guide for Local Councils. Following the guidance detailed in the guide, and the internal control requirements identified in this report, will considerably reduce the possibility of duplicate or unauthorised payments being made in the future.</p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that a written briefing on the implementation of the Governance and Accountability Guide is to be prepared; this will identify improvements which could be made. <p>It was reported last year that HMRC requires employers to submit annual declarations of certain expenses and benefits paid to employees. For example, an employer providing homeworking expenses for its employees has tax, National Insurance and reporting obligations. It was recommended that the council should ensure, therefore, that all HMRC guidance is followed and that the necessary returns are submitted prior to the statutory deadline. More information in relation to this can be found on “www.gov.uk/annual reporting and tasks/expenses and benefits.”</p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that this has been undertaken. <p><u>2019/20 testing</u></p> <p>The previous Clerk has been paid on the basis of Spinal Column Point 27 (new SCP 20 from the 1st April 2019) of the National Joint Council pay scales. Her contract, however, only allowed for SCP 22 to 25 plus one increment for gaining the CiLCA qualification. I have seen no council authorisation for the additional increment paid during the year.</p> <p>Unauthorised payments of salary were paid to the previous Clerk on 14 occasions during the year. The net overpayments totalled approximately £20,000.</p> <p>There was a 2% increase in the allowance paid to the Clerk of the Joint Burial Board during the year. The Acting Clerk has confirmed the increase was not authorised by the council.</p> <p>I was again, this year, unable to confirm the correctness of the gross pay calculations for the two other members of staff; this was because of lack of contracts of employment to confirm pay scales, the number of contracted hours per week and a working from home allowance. Also, no time sheets were available at audit</p> |
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| | | <p>for verification of the total hours paid each month to the council's handy man. As noted above, contracts have now been issued and time sheets will be completed during the current year and provided to audit for verification purposes.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● All changes to the terms and conditions of employment, including the SCP and any allowances paid to staff, must be formally authorised by council and minuted. ● The council should be aware that the Pensions Regulator has advised of statutory minimum pension contributions which came into effect on the 6th April 2019. The minimum employer contribution of 3% of salary and minimum employee contribution of 5% of salary apply if the council employ staff in an automatic enrolment pension scheme. |
| 9 | <p>Is the Asset and Investment Register complete and accurate and reviewed on a regular basis?</p> | <p><u>Appropriate recording of assets</u></p> <p>Findings</p> <p>It was recommended last year that the Asset Register should updated to reflect any additions and disposals during the year and be reviewed and approved by council annually.</p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that the Asset Register is to be updated for review by RAM with an estimated completion date of the 30th September 2020. <p>It was also recommended that all assets purchased should be added to the register at the net cost to the council, excluding VAT.</p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that the assets are to be added to the register at net cost to the council and this methodology will be included in the Asset Register Policy. <p>It was recommended that the council should note and comply with the guidance, in relation to the recording of assets, contained in the 2019 NALC/SLCC Governance and Accountability Guide for Local Councils.</p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that the Asset Register Policy is to be developed in line with the Governance and Accountability Guide. |

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| | | <p><u>2019/20 testing</u> The Asset Register provided to audit is the same version used last year and is headed up 31st March 2018.</p> <p>Two assets have been added to the register during the year. These have been added at full cost, however, including VAT. As the council is able to recover the VAT element of purchases, assets should be added to the register at net cost, excluding VAT.</p> <p>The total of the Asset Register, following the addition of two assets during the year, is £269,789. The total of all assets declared in box 9, fixed assets, on the AGAR is £269,590. The difference of £199 is the VAT element of the purchases during the year.</p> <p>I have compared the assets on the Asset Register to the schedules of property and equipment on the insurance policy schedules. It is noted that the Asset Register identifies additional assets which do not appear on the insurance schedules.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● Following the review by RAM the Asset Register should clearly identify the date on which it has been reviewed by Committee and show the correct year-end date for the purpose of verification to the AGAR. ● All assets should be added to the Asset Register at net cost to the council excluding VAT. ● The total of all council assets per the Asset Register and the declaration in box 9 on the AGAR should be in agreement. ● The council should compare the Asset Register with the assets on the insurance policy schedules to ensure that all of the assets the council wish to insure are adequately covered. |
| 10 | <p>Were bank reconciliations performed on a regular and timely basis?</p> <p>Has a year-end reconciliation been</p> | <p><u>Adequate bank reconciliations</u></p> <p>Findings The council maintains two bank accounts; a Current Account with the Co-operative Bank and an NS & I Investment Account.</p> |

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| <p>performed and balanced?</p> <p>Have all bank reconciliations been reviewed by an appointed member and evidenced as such?</p> | <p>Last year it was recommended that the council must ensure that, as soon as possible, regular bank reconciliations are performed for each bank account. The use of the council's RBS accounting package, as recommended in section 1 above, will automatically provide the council with detailed reconciliations between the accounting system and its bank accounts.</p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that RBS will be used to facilitate this. The accounting system will be updated at least weekly. Monthly reports to council and each RAM Committee will include bank reconciliations. <p>It was also recommended that monthly and year-end reconciliations should be presented to each council meeting. They should be accompanied by the respective month-end bank statements for comparison purposes and be reviewed and signed and dated as authorised by the Chairman.</p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that monthly and the year-end reconciliations will be presented to each council meeting and they will be accompanied by the respective month-end bank statements for comparison purposes and be reviewed and signed and dated as authorised by the Chairman. <p>It was further recommended that the council should note and comply with the bank reconciliation requirements contained in the 2019 NALC/SLCC Governance and Accountability Guide for Local Councils.</p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that the RFO will investigate the procedures in the Governance and Accountability Guide and ensure that they are complied with. <p>The above controls are considered to be of prime importance for the council in maintaining a sound internal control environment in order to assist in the prevention of the serious financial issues that arose last year.</p> <p>A year-end reconciliation has been prepared by the temporary RFO and I have agreed the year-end balances to the re-constructed cash book and the balances declared on the Accounting Statement.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● When the monthly bank reconciliations from RBS are presented to council they should be accompanied by the relevant bank statements which should be checked against the balances on the reconciliations. The reconciliations should be signed by the Clerk and signed and dated by the Chairman as checked and |
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| | | authorised. The council minutes should confirm that the bank reconciliations have been reviewed. |
| 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>Last year it was recommended that all agreed Internal Audit recommendations should be implemented during the 2020/21 in accordance with the prioritisation of recommendations described on page 4 of the report and the requirements of the 2019 Governance and Accountability Guide for Local Councils.</p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that RAM considered the Internal Audit Report and requested the preparation of an Audit Action Plan with corrective action proposed. This report has been provided to audit and incorporated into this report. The Action Plan is to be considered by RAM at each meeting to monitor progress and for Internal Audit scrutiny. <p>It was also recommended that the council must ensure that, in the future, it complies with all statutory requirements in respect of arranging for the completion of an annual Internal Audit, the completion and submission to the External Auditor of an Annual Governance and Accountability Return and the Exercise of Public Rights.</p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that the council is seeking a new Clerk/RFO and will ensure that oversight is maintained and robust measures are in place, including a timetable for reporting to show all key actions and dates for completion. It is understood that a new Clerk has now been appointed. <p><u>2019/20 testing</u></p> <p>The year-end statements have 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 re-constructed cashbook and year-end bank reconciliation statement.</p> <p>As noted in section 1 of this report some administrative expenses have been analysed as staff costs in the cash book rather than "all other expenses" as required by the guidance contained in the 2019 Governance and Accountability Guide for Local Councils.</p> |

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| | | <p>As noted in section 9 of this report the total of all council assets per the Asset Register and the declaration in box 9 on the AGAR should be in agreement.</p> <p>Following the receipt of the Public Works Loan Board (PWLB) year-end statement of outstanding debt, as at the 31st March 2020, it has become apparent that the figures declared as the total borrowings in box 10 on the AGAR at the 31st March 2019 and 31st March 2020 are incorrectly stated. The figure as at the 31st March 2020 is £90,835 but according to the PWLB year-end statement this should be £97,872. The difference has arisen because the total of the repayments during the year include interest payments which should not be taken off the previous balance of outstanding debt. The figure provided to audit last year had been similarly calculated but a year-end PWLB statement, showing the correct balance, could not be found following the departure of the previous Clerk.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● The council should observe the correct allocation of expenditure to boxes 4, staff costs, and box 6, all other payments, in accordance with the guidance contained in the 2019 Governance and Accountability Guide for Local Councils. ● The figure declared in box 10 for 31st March 2020 should be amended to agree to the PWLB year-end statement of outstanding debt as at this date. |
| 12 | Has the council met its responsibilities as a Trustee? | <p><u>Trustee responsibilities</u></p> <p>Findings</p> <p>I have seen no evidence that the council has responsibility for Trust Funds and the Chairman has confirmed that this is the case.</p> |
| 13 | If the council certified itself as exempt from an External Audit Limited Assurance Review last year, has it met the exemption criteria and | <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> |

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| | correctly declared itself exempt? | |
| 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><u>Exercise of Public Rights</u></p> <p>Findings</p> <p>The previous audit identified that, in the summer of 2019, the council failed to provide the opportunity for the exercise of public rights (in respect of 2018/19) in accordance with the requirements of the 2015 Accounts and Audit Regulations. Failure to do this and complete the AGAR and accompanying documentation in respect of 2018/19 has resulted in the issue of a Public Interest Report by the External Auditor.</p> <ul style="list-style-type: none"> ➤ The Acting Clerk has confirmed that, in the future, the instructions from the auditor will be followed to publicise the previous year's accounts and a written report will be presented to council upon successful completion. |
| 15 | Are the council's minutes maintained in accordance with legislative requirements? | <p><u>Correct maintenance of council minutes</u></p> <p>Findings</p> <p>Electronic copies of the official minutes of the Town Council's meetings and Planning Committee meetings from May 2019 to April 2020 were provided to audit for review. Electronic copies of the minutes of the council's Personnel and Grievance Committee for March, April and May 2020 and the Resources and Asset management Committee minutes for October and November 2019 and January 2020 were also provided to audit.</p> <p>All council's minutes are maintained in a loose leaf format.</p> <p>As the minutes provided to audit were electronic versions, I was unable to verify that they had been initialled and signed by the persons presiding thereat in accordance with the Local Government Act 1972.</p> <p>For the sample checked, the minutes of Council and each Committee have been consecutively numbered throughout the year in accordance with legislative requirements.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● Original, signed copies of all Council and Committee minutes should be presented to audit for review to |

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| | | ensure that they comply with legislative requirements. |
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Executive Summary

This report identifies that the failures of the previous Clerk that were identified in the 2018/19 Internal Audit Report continued during 2019/20 and many of the serious issues identified last year have been repeated during this year of audit.

I am pleased to confirm in this report the large number of corrective controls that have already been put in place by the council following the dismissal of the previous Clerk and last year's Internal Audit Report. Action has been taken quickly and decisively to address the Internal Financial Control and Governance issues that were identified.

The council has appointed a new Clerk. This, together with the adoption of both last year's and this year's recommendations, will provide the council with a much improved financial control environment in which to conduct its business. During the current year the council has also arranged for an Interim and a year-end Internal Audit which will provide the opportunity to review the progress being made during the year and recommend any further measures considered necessary.

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

7th July 2020

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