

**TOLLESHUNT MAJOR
PARISH COUNCIL**

**REPORT ON
INTERNAL AUDIT FOR 2019/20**

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Internal Auditor

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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 2019/20 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 thank Miss Vysian Banyard, Clerk and Responsible Financial Officer to the Council, for her assistance. She is especially to be complimented on the speed with which the accounts were presented.

FINDINGS

From the work carried out there are a number of findings that should be considered by the Council. The most significant are highlighted below with more details in the Appendices.

1. A spreadsheet was maintained through the year as a record of the financial transactions of the Council. A financial statement and bank reconciliation are presented to the Council at its monthly meetings. Year end accounts have been prepared on a receipts and payments basis which is appropriate for a council of this size. They agreed with the cash book and the audit trail was good.
2. Standing Orders based on a model published by NALC were approved by the Council at its meeting in August 2018. There is no record of their being reviewed during the year under consideration, however. Section 5 of the Standing Orders provides a list of policies that should be reviewed each year. Revised Financial Regulations based on a model issued by NALC were approved by the Council at its meeting in November 2019.
3. The periodic independent check of the bank reconciliation required by Financial Regulation 2.2 by one of the Councillors does not appear to be carried out.
4. Payments were supported by evidence and approved by the Council and VAT was appropriately accounted for. During the period when the council only had one registered bank signatory Maldon District Council was asked to make payments on behalf of the Parish Council. This wasn't entirely satisfactory due to problems at the district council but things were eventually sorted out.
5. The Council agreed a Risk Assessment at its meeting in August 2018. This is posted on the Council's website under Policies and Procedures. There is no record of the Risk Assessment being reviewed during the year, although reference is made to work on a review being in progress.

6. The budget and precept requirement for 2020/21 were agreed by the council at its meeting in January 2020 following detailed discussions. A report comparing spend to date against the budget for the year is presented at the monthly council meetings. The Council's reserves are growing and stood at over one and a half times the precept at the end of the year
7. The Clerk's salary and allowances were paid in accordance with council approvals. No allowances were paid to members. Although most of the Councillors are newly appointed and the Chairman and Vice Chairman were new to their positions in the year no formal training was undertaken.
8. The register of community assets was updated for acquisitions and disposals in March 2019 but there is no record of it being presented to the Council. It remains unchanged for 2020.
9. The Council met the criteria for exemption from a limited assurance review for 2018/19 and correctly completed the certificate for that. This was published on the Council's website together with the notice of public rights to examine the accounts.
10. Under the Transparency Code for Smaller Authorities 2014, the Parish Council are required to publish certain information on a website. This includes a requirement to publish minutes of meetings within one month, even if they have not yet been agreed. By 14th April the minutes of the meeting held on 3rd March were not on the website. *They had been added by 25th May.*

RECOMMENDATIONS

With reference to the above findings I recommend that the Council agree actions to address the following issue:-

1. The periodic independent check of the bank reconciliation by one of the Councillors required by Financial Regulation 2.2 should be re-instated.
2. It is best practice to review Standing Orders, the Risk Assessment and other Council policies each year.
3. It may be felt appropriate to earmark some of the Council's reserves towards major projects such as new play / outdoor gym equipment.
4. Minutes of Council meetings should be published on the website within one month, even if they have not been agreed by a subsequent meeting.

OPINION

The financial processes of the Council are very well managed by the Responsible Finance Officer with support from Councillors.

N Powell Davies, BSc, ACMA, CGMA

May 2020

TOLLESHUNT MAJOR PARISH COUNCIL – DETAILED FINDINGS 2019/20

EXPECTATION OF ANNUAL GOVERNANCE AND ACCOUNTABILITY RETURN INTERNAL AUDIT REPORT

Expectation	Findings	Recommendations
A Appropriate accounting records have been kept properly throughout the year.	<ul style="list-style-type: none"> • A spreadsheet is maintained as a record of transactions. 	<ul style="list-style-type: none"> • Agreed that expectation met with.
B The council's financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	<ul style="list-style-type: none"> • Revised Standing Orders based on a model published by NALC were approved by the Council at its meeting in August 2018. There is no record of their being reviewed during the year under consideration. Section 5 of the Standing Orders provides a list of policies that should be reviewed each year. • Revised Financial Regulations based on a model issued by NALC were approved by the Council at its meeting in November 2019. • Invoices to support payments were available. Expenditure was approved by the Council. • During the period when the council only had one registered bank signatory Maldon District Council was asked to make payments on behalf of the Parish Council. This wasn't entirely satisfactory due to problems at the district council but things were eventually sorted out. • VAT was appropriately accounted for. A claim covering the period from March 2019 was made in February 2020. 	<ul style="list-style-type: none"> • It is best practice to review Standing Orders and other Council policies each year.

Expectation	Findings	Recommendations
<p>C The council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</p>	<ul style="list-style-type: none"> • The Council agreed a Risk Assessment at its meeting in August 2018. This is posted on the Council’s website under Policies and Procedures. • There is no record of the Risk Assessment being reviewed during the year, although reference is made to work on a review being in progress. • The Risk Assessment does not include the possibility of a meeting or the whole council being inquorate which is a real possibility in such a small council. • The Council has adequate insurance to cover the relevant risks. 	<ul style="list-style-type: none"> • It is best practise to review the Risk Assessment each year. • Consideration should be given to extending the remit of the Risk Assessment to cover the risk of it being inquorate.
<p>D The annual precept requirement resulted from an adequate budgetary process; progress against budget was regularly monitored; and reserves were appropriate.</p>	<ul style="list-style-type: none"> • The budget and precept requirement for 2020/21 were agreed by the council at its meeting in January 2020 following detailed discussions. • A report comparing spend to date against the budget for the year is presented at the monthly council meetings. • The Council’s reserves are growing and stood at over one and a half times the precept at the end of the year 	<ul style="list-style-type: none"> • It may be felt appropriate to earmark some of the reserves towards major projects such as new play / outdoor gym equipment.
<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"> • The only income was the annual precept payment and a VAT reclaim. These were accounted for appropriately. 	<ul style="list-style-type: none"> • Agreed that expectation met with.

Expectation	Findings	Recommendations
<p>F Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.</p>	<ul style="list-style-type: none"> • A petty cash account is not maintained. Minor expenses are initially met by the Clerk and claimed monthly. They were properly supported by receipts and VAT was appropriately accounted for. 	<ul style="list-style-type: none"> • Agreed that expectation met with.
<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"> • The Clerk’s salary and allowances were paid in accordance with council approvals. • PAYE and NI requirements are properly applied. • No allowances were paid to members. • Although most of the Councillors are newly appointed and the Chairman and Vice Chairman were new to their positions in the year no formal training was undertaken. 	<ul style="list-style-type: none"> • Agreed that expectation met with.
<p>H Asset and investments registers were complete and accurate and properly maintained.</p>	<ul style="list-style-type: none"> • The register of community assets was prepared in March 2020 but there is no record of it being presented to the Council. • The whereabouts of the filing cabinet purchased in 2012 still appears to be unknown. 	<ul style="list-style-type: none"> • The register of community assets should be presented to the Council. • If the filing cabinet cannot be located it should be deleted from the register.
<p>I Periodic and year end bank account reconciliations were properly carried out.</p>	<ul style="list-style-type: none"> • A bank reconciliation is presented to the Council at each meeting. The periodic independent check required by Financial Regulation 2.2 by one of the Councillors does not appear to be carried out. 	<ul style="list-style-type: none"> • Financial Regulations should be followed in checking the bank reconciliations.

Expectation	Findings	Recommendations
<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"> • Year end accounts have been prepared on a receipts and payments basis which is appropriate for a council of this size. They agreed with the cash book and the audit trail was good. 	<ul style="list-style-type: none"> • Agreed that expectation met with.
<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"> • The Council met the criteria for exemption from a limited assurance review in 2018/19 and completed the certificate correctly. 	<ul style="list-style-type: none"> • Agreed that expectation met with.
<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"> • The notice of public rights to examine the accounts for 2018/19 was published on the Council's website. 	<ul style="list-style-type: none"> • Agreed that expectation met with.

REQUIREMENTS OF TRANSPARENCY CODE FOR SMALLER AUTHORITIES

Information to be posted on a website

Requirement	Finding
<p>PUBLICATION OF EXPENDITURE Smaller councils are required to publish annually the details of each individual item of expenditure above £100.</p>	<p>Details of all payments are contained within the Minutes.</p>
<p>PUBLICATION OF END OF YEAR ACCOUNTS 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"> • copy of the bank reconciliation for the relevant financial year; • 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; • explanation of any differences between 'balances carried forward' and 'total cash and short term investments' 	<p>The section of the website headed 'Finance' has a heading 'Accounts and Audit' in which are posted the AGAR and associated documents for the past two years including the statement of accounts, the bank reconciliation and explanation of significant variances between the current year and the previous year.</p>
<p>PUBLICATION OF ANNUAL GOVERNANCE STATEMENT Councils must publish their annual governance statement according to the format included in the annual return form.</p>	<p>The Annual Governance Statement is published under the heading 'Finance – Accounts and Audit.'</p>
<p>PUBLICATION OF INTERNAL AUDIT Councils must publish their annual internal audit report according to the format included in the annual return form.</p>	<p>The Annual Internal Audit Report that forms part of the annual return is published with the rest of the AGAR papers under Finance – Accounts and Audit.</p>

Requirement	Finding
<p>PUBLICATION OF LIST OF COUNCILLOR RESPONSIBILITIES Councils must publish a list of councillor or member responsibilities. The list should include the following information:</p> <ul style="list-style-type: none"> • names of all councillors; • committee membership and function (if chairman or vice-chairman) of each councillor; • representation on external local public bodies (if nominated to represent the council) of each councillor. 	<p>The Council website lists the Councillors, noting the Chair and Vice Chair. Further areas of interest are not shown.</p>
<p>PUBLICATION OF LAND AND BUILDING ASSETS Smaller local councils should publish details of all public land and building assets.</p>	<p>Details of the public land and building assets of the Council as at 1 March 2019 are on the website. The details remain unchanged.</p>
<p>PUBLICATION OF MINUTES, AGENDAS, AND PAPERS OF FORMAL MEETINGS 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. 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>Minutes of the meetings of the Council are on the website. Detailed Agendas are also posted. However, because of the interruption to the pattern of council meetings THE MINUTES OF THE MEETING HELD ON 3 MARCH 2020 HAD NOT BEEN POSTED BY 14th APRIL.</p>