INTERNAL AUDITOR'S REPORT TO GREAT BOWDEN PARISH COUNCIL

June 2021

INTRODUCTION

This report covers the completed audit carried out during and for the financial year 2020-21, in accordance with the Accounts and Audit Regulations 2015.

The audit work has included a thorough review of all accounting transactions and sampling of other activities of the Council based on my assessment of risk. On a day-to-day basis, the management of the Council's finances would usually be one of the duties of the Clerk, in her capacity as Responsible Finance Officer (RFO), supported by all members of the Council. The Council remains responsible for the assessment and management of risk and the provision of good governance.

Again, a basic service has been performed by the vice Chairman.

A new clerk was appointed from January 2020, but she did not participate in the financial matters. She will assume the duties of Responsible Financial Officer from the 21/22 financial year.

The financial statements, governance arrangements and controls are reviewed annually by the Council's external auditors through the AGAR reporting process. In 2020/21 GBPC Summary financial activity was:

Gross income	£55913
Gross Expenditure	£33629

As both income and expenditure exceed the £25000 limited assurance threshold, it is not possible in this period, as also in 2017/18, 2018/19, and 2019/20 to certify exemption. **Part 3 of the AGAR** should be completed and returned to the external auditor

REVIEWS UNDERTAKEN (using audit report references within the Annual Return)

A. Bookkeeping and appropriate accounting records

Detailed examinations of transactions have taken place to ensure financial records are up-to-date, the arithmetic is correct and that the accounts balance. In my opinion, appropriate books of account have been kept throughout the period covered by this report. Vat analysis is shown as a separate column in the spreadsheet to support VAT claims.

A successful claim for refund of VAT covering 2017/18 to 2019/20 was achieved in this financial year.

B. Financial Regulations

The Council bases its financial regulations on the Harborough District Council model. In principal, they may not be appropriate for the specific needs of the Council. A brief review of this was undertaken in May 2021, with a more detailed review to be carried out in 2021/22 and to be reported at the next Annual Meeting.

The regulations as they stand have been broadly observed. Internal control is still potentially weakened during the year as the Vice Chairman both maintained the accounts, wrote out cheques, and in some cases authorised payments. With this in mind, I have undertaken additional tests and found all to be satisfactory.

Payments are made by cheque for some expenditure, but increasingly by bank transfer (including clerk's salary) . Payments are stated to be reported by a separate financial report (with the exception of Vodafone, Eon/EDF paid by monthly direct debit) prior to Council meetings in order to give members the opportunity to absorb the contents more effectively.

Approved payments have not been listed in the Council minutes as previously recommended as an important control measure.

Recommendation

B1. With the new clerk in post it is important that the need for separation of financial duties is observed

B2 The minutes should include listed details of payments approved.

C. Risk management

The Council did not feel it necessary to review of the adequacy of its Risk Management policy at its Annual General Meeting . It is important that the new clerk is involved in a detailed review in 2021/22 as a priority.

C1 A detailed review of risks should be undertaken and reported to the Council for approval during 2021/22. Consideration should be given to a structured approach using a Red/Amber/Green method.

D. Budget

The budgetary procedures are effective and the annual precept correctly assessed. Monitoring of financial performance against the budget remains fully effective.

Closing reserves are high at £61025, but there is a planned improvement scheme for the recreation ground, including the play area due to be undertaken in 21/22 at an estimated cost of £82000. The project is being partly supported by successful grant applications.

E. Receipts

The procedures for the receipt of money due to the Council have been reviewed and found to be generally satisfactory. Ad hoc receipts mainly arise as a result of the hire of the pavilion, and invoices raised accordingly. Since the Council prepares its accounts on a receipts and payments basis, invoices are only recorded in the accounts when settled.

F. Petty Cash

There are no petty cash transactions.

G. Payroll

The Clerk's salary and allowances have not been minuted as previously agreed. A minute explicitly stating payments were in accordance with Council approvals is required.

PAYE and NI requirements are not being observed, for example using HMRC "Pay and File" . Instead, the clerk submits timesheet which results in a payment. She reports her own income to HMRC. I am informed that a dispensation has been received from HMRC to allow this, but I have seen no written evidence to clarify the situation. The clerk and the Vice Chairman are seeking to provide this.

Recommendation

G1. The clerks salary should be minuted and supported by published smaller authority pay scales

G2. There is a risk that the Council is not fulfilling its legal obligations as an employer by not reporting its employee's earnings to HMRC via RTI. It must urgently demonstrate a written dispensation, or seek to comply with RTI immediately to avoid penalties.

H. Asset control

The asset register was provided and this is still to be reviewed and tested by the new clerk. I recommend that assets be valued at Historic Cost (ie the invoice price paid) unless there is a compelling reason why an alternative valuation method should be used (Eg, a sale on disposal). Noted that there has been no change to the asset register during 20/21.

Recommendation

H1. The asset register should be updated regularly by the clerk, approved by the Council. And reconciled to the accounting statements **prior to completion of the AGAR**

H2. Assets should be valued at Historic Cost

I. Banking and Bank Reconciliations

Bank statements are now available to the Chairman and two other councillors.

Accounts and balances are reported to the Council via a separate finance report distributed to councillors prior to each meeting.

J. Year-end procedures

The Council produces financial statements on a receipts and payments basis, which is in accordance with the requirements of the Accounts and Audit Regulations 2015.

The year-end procedures should be reviewed now a new clerk is in post. My recommendations for a structured audit file remain as below.

A variance analysis has now been provided for 20/21

A bank reconciliation statement has now been produced as at 31st March 2021 in accordance with AGAR guidelines.

A summarised financial statement was not produced. It is helpful to produce this as an aid to completing the AGAR Section 2 (Accounting Statements). The 17/18 audit included a draft of an acceptable format, based on the 17/18 accounts. This should ideally be completed by the RFO and certified by the Council prior to completion of the Internal Audit. I have produced a draft for 20/21 which will need to be certified by the Chairman and minuted accordingly.

Recommendations

J1 The year end procedure should be supported by an agreed and realistic timetable to comply with the timescales for the submission of the annual return

J2 The audit file should be complete and indexed and contain – as a minimum - the following:

- A copy of the detailed summarized financial statement supporting the accounting statements (AGAR Section 2) in the annual return.
- A copy of all bank statements for the financial year up to and including 31st March
- A bank reconciliation statement as at 31st March, showing full details of unpresented cheques and receipts in transit.
- Vouchers, invoices and receipts for ALL payments, authorised by two members of the Council, and cross referenced (eg using cheque number as a key) to the bookkeeping records. Suggest file in payment date order.
- A copy of all invoices issued to customers, marked and dated when paid
- A copy of – or link to – the completed Asset Register
- A variance analysis – which should be completed prior to the completion of the internal audit
- A copy of – or link to - approved Standing Orders and Financial Regulations
- A copy of – or link to – approved Risk Register.

M. Website Publication of period for the exercise of public rights

There is no evidence of any such publication on the website regarding the 19/20 year. Publication was via the Parish Council noticeboard.

Recommendations

M1. The Council must comply with its obligations under the Accounts and Audit Regulations 2015, to provide for a period for the exercise of public rights by publication on its website.

N. Compliance with publication requirements of AGAR

There is no evidence of any such publication on the website regarding the 19/20 year. Publication was via the Parish Council noticeboard.

Recommendations

N1. The Council must comply with its obligations under the Accounts and Audit Regulations 2015, to publish details of its AGAR for 19/20 on its website.

SUMMARY OF RECOMMENDATIONS

B1. With the new clerk in post it is important that the need for separation of financial duties is observed

B2 The minutes should include listed details of payments approved.

C1 A detailed review of risks should be undertaken and reported to the Council for approval during 2021/22. Consideration should be given to a structured approach using a Red/Amber/Green method.

G1. The clerks salary should be minuted and supported by published smaller authority pay scales

G2. There is a risk that the Council is not fulfilling its legal obligations as an employer by not reporting its employee's earnings to HMRC via RTI. It must urgently demonstrate a written dispensation, or seek to comply with RTI immediately to avoid penalties.

H1. The asset register should be updated regularly and reconciled to the accounting statements **prior to completion of the AGAR**

H2. Assets should be valued at Historic Cost

J1 The year end procedure should be supported by an agreed and realistic timetable to comply with the timescales for the submission of the annual return

J2 The audit file should be complete and indexed and contain – as a minimum - the following:

- A copy of the detailed summarised financial statement supporting the accounting statements (AGAR Section 2) in the annual return. .
- A copy of all bank statements for the financial year up to and including 31st March
- A bank reconciliation statement as at 31st March, showing full details of unpresented cheques and receipts in transit.
- Vouchers, invoices and receipts for ALL payments, authorised by two members of the Council, and cross referenced (eg using cheque number as a key) to the bookkeeping records. Suggest file in payment date order.
- A copy of all invoices issued to customers, marked and dated when paid
- A copy of – or link to – the completed Asset Register
- A variance analysis – which should be completed prior to the completion of the internal audit
- A copy of – or link to - approved Standing Orders and Financial Regulations
- A copy of – or link to – approved Risk Register.

M1. The Council must comply with its obligations under the Accounts and Audit Regulations 2015, to provide for a period for the exercise of public rights by publication on its website.

N1. The Council must comply with its obligations under the Accounts and Audit Regulations 2015, to publish details of its AGAR for 19/20 on its website.

John Butlin
Internal Auditor

Wisteria Cottage,
35 Rushes Lane,
Lubenham,
Market Harborough,
LE16 9TN

T 07912 871239
E harvest.otex@gmail.com

Harvest Accounting Services