Leicestershire and Rutland ALC | IAS

Internal Audit Report

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

Name of council:	GREAT BOWDEN PARISH COUNCIL		
Name of Internal Auditor:	Catherine Camp	Date of report:	13.01.2023
Year ending:	31 March 2022	Date audit carried out:	09.01.2023

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 council through its staff and management and not left for internal audit. 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. This report is based on the evidence made available to me and consequently the report is limited to those matters set out below.

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:

Dear Chairman,

Following a request from Councillor Claxton I was appointed through the LRALC Internal Audit scheme to carry out an emergency Internal Audit, since Great Bowden had failed to submit their Annual Governance and Accountability Return with a completed internal Audit carried out within the required time frame for year ending 31 March 2022.

The job of an Internal Auditor, as required by the **Accounts and Audit Regulations 2015,** is to "undertake an effective internal audit to evaluate the effectiveness of a Parish Councils risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".

Regretfully I am unable to complete an Internal Audit for Great Bowden Parish Council since the AGAR form 3 that was submitted to me is blank.

It is not the role of any internal auditor to complete Section 1 or Section 2 of the AGAR (Annual Governance and Accountability Return), that is the responsibility of the authority.

I have scanned the bank statements and the cash book and note that the Bank reconciliation does not reconcile with the Bank statements of 31 March 2022 since unpresented cheques have not accounted for.

I was very pleased to find that there is a copy of the Joint Panel on Accountability and Governance Practitioners Guide published on your website, but sadly Great Bowden Parish Council has not complied with the regulations set out in the Practitioners Guide to ensure that they comply with legislation.

None of the sections of the Annual Governance and Accountability Return are published on the website despite this being clearly stated as a statutory requirement under Guidance Note 3 on the AGAR form

3. The authority must approve Section 1, Annual Governance Statement, before approving Section 2, Accounting Statements, and both must be approved and published on the authority website/webpage before 1 July 2022

Your website does have a copy of Standing Orders dated November 2019, which states under Item 23 that the Clerk shall be RFO. The submitted Bank reconciliation states that Councillor Claxton is the RFO, however this is not confirmed within the minutes.

The Standing Orders set out the correct procedures under which a Parish Council should operate and are the rules by which a Council should operate. The Council would do well to start following its own Standing orders.

I examined the Council's arrangements for management and control of its business in the area of book-keeping, compliance with proper practices as set out in the Practitioners Guide, risk management, budget setting and monitoring, asset register, bank reconciliations, internal control and year-end procedure, via a detailed scan of the minutes available on the website.

The following is provided to try to help the Council become more transparent in its handling of public money, and to help you reach a position that will allow you to comply with Accounts and Audit Regulations 2015.

INTERNAL CONTROL OBJECTIVE

A. **Appropriate accounting records have been properly kept throughout the financial year**.
Councillor Claxton has supplied a copy of the Cash book which shows that money received and payments made are being recorded throughout the financial year.
Recommendation:

- That quarterly Bank reconciliations are presented to the Council, and minuted.
- the VAT element of each invoice needs to be recorded so that annual reclaim of VAT can be made easily. I note that VAT was reclaimed in a timely manner for Year ending 31 March 21

B. **This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.**
From scanning the minutes published on the website eg Minute ref 05/21/48 states "The financial transactions since the last meeting were circulated. The additions were ratified and report approved." This implies that payments are being made prior to the meeting, and that Councillors are purely being informed of them. There is no list of payments made available on the website, or any financial information whatsoever to allow the Electorate to see how public funds are being spent.

The Standing Orders of the Council state
"FINANCE 16. Payment of all accounts shall be authorised by the Council in accordance with the following:
(i) In advance, against a formal written quotation approved by the Council
(ii) As invoiced and approved at a Council Meeting except that the Clerk is authorised to arrange payment of regular invoices in connection with the supply of services to the community Pavilion as they are received, such payments to be reported to the Council at it's next meeting along with payments made under 16 (i) above.

Recommendation:

- Payments need to be authorised by two signatories.
- For the purposes of transparency, the minutes should include details of money received and invoices paid.
- Standing Orders and Financial regulations need to be regularly reviewed, to ensure that they are fit for purpose and adhered to.

C. **This authority assessed the significant risks to achieving its objective and reviewed the adequacy of arrangements to manage these.**
From scanning the Minutes, I found no evidence that any Risk Assessments were carried out
Recommendation:
- Ensure that the Parish Council Insurance is reviewed and renewed annually and minute that this has taken place.
- Review and update Standing Orders, Financial Regulations and Risk Assessments on an Annual basis and minute that this has taken place and upload to the website.
- Ensure that appropriate arrangements are in place for monitoring play areas/sports pitches and open spaces and record within the minutes.

D. **The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.**
On request, Councillor Claxton has provided me with a Budget. This does not show any reserves and what they are being held for. There is no reference to any budgeting within the minutes with minute ref 01/22/07 stating "Councillor Claxton proposed £35,000 should be the figure for next year".

Recommendation:

- Budgeting procedures and reserves should be reviewed. Holding 3.5 x the precept seems excessive unless the Council knows how it is going to spend this money.
- Spend against the budget should be prepared and submitted to the Council for review periodically during the year with appropriate commentary on any significant variances.
- When minuting, the Clerk needs to record both the budget figure and then the precept amount that is to be requested. (The previous year's minutes did not include any figures).

E. **Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.**
Since I was not provided with a completed AGAR I have not requested proof that every payment has an accompanying invoice; or evidence that VAT was promptly claimed for year ending 31 March 2021, although VAT was received in a timely fashion as shown on the bank statement.

Recommendations:

- Ensure that every payment received, and invoice paid has an accompanying paper trail.
- It is not clear whether the Parish Council are letting out their Community Centre commercially. If they are doing so, then they need to ensure that they manage VAT whilst running a business, in accordance with current HMRC requirements.

F. **Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.**
I am not aware whether this Council operates a petty cash system.

G. **Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.**
I have not been able to check this.
Recommendation:
  - The Clerk should operate as the RFO and maintain the financial records and policies of the Council. Should the Council wish to appoint a Councillor as the RFO then they need to alter their SOs accordingly and minute what they are doing on an annual basis.
  - Ensure that all staff have an employment contract, appropriate procedures are in place for calculating tax and NI and that pension contributions are being treated correctly.

H. **Asset and investments registers were complete and accurate and properly maintained.**
Minute ref 03/21/35 of 9th March 2021 states "the Council approved that the asset register be updated."
There is no follow up during the year to provide evidence that this was carried out.
Recommendation:
  - Update and maintain an Asset Register and publish on the website.
  - Compare the asset register with the insurance schedule to ensure that all assets as recorded are appropriately insured where necessary by the Council.
  - Ensure any loans are properly recorded on the AGAR

I. **Periodic bank account reconciliations were properly carried out during the year.**
Recommendation:
  - This should be done preferably at least quarterly and presented to the Council and minuted.
    It is good practise to publish bank reconciliations on the website so that the electorate can see how their money is being spent.

J. **Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit train from underlying records and where appropriate debtors and creditors were properly recorded.**
I was unable to check this, since the Bank reconciliation provided for year ending 31 March 2022 did not balance with the Bank Statements.

Recommendation:
  - To produce an Accounting statement on a receipts and payment basis which agrees with the cash book and the bank statements, going forward.

K. **If the authority certified itself as exempt from a limited assurance review in 2020/21, it met the exemption criteria and correctly declared itself exempt.**
I am unable to verify this statement as there is no historic AGAR documentation available on the website. Since this Council has gross income/expenditure of over £25,000 it is not in a position to declare itself exempt and is required to submit an AGAR 3 for External Audit.

L. **The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements.**
The Council has a website which has useful information posted for its residents. There needs to be Audit paperwork published to ensure the Councils meets the statutory requirements of the Accounts and Audit Regulations 2015.
Recommendations:
- Ensure that the Audit paperwork is published on the website
- I suggest that the Council consider what other financial information could be included on the website to ensure that the electorate can see how their money is being spent.

M. **The authority, during the previous year (2020-21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations.**
I can find no evidence from the website or from the minutes that this was done.
Recommendation:
- Ensure that a public notice is displayed clearly identifying the statutory 30 working day period when the Authority's records are available for inspection, and ensure that you minute the relevant dates at the same time as approving first, Section 1 and then Section 2 of the AGAR.

May I take this opportunity to point out that as per the Standing Orders, the Annual Meeting of the Parish Council must be held in May, (which you are doing), but the first item of business must be to appoint a Chairman for that year, and the appointed Chairman must sign a Declaration of Acceptance of Office before he can legally take the chair and preside over the rest of the meeting). Although this may seem like a technicality, it may mean that decisions of the Council could be subject to legal challenge if it does not happen. All these procedures need to be minuted.
Likewise, any new Councillor must sign a Declaration of Acceptance of Office before taking part in the meeting.
Minutes of a Council are a legal record, so once signed and approved they cannot be altered at a later date.

I can see that Great Bowden is a proactive Parish Council carrying out lots of good work on behalf of its residents and although the above seems a very long list, I hope that you will find the recommendations helpful in ensuring that the correct documents are displayed on the website to satisfy the statutory Accounts and Audit Regulations 2015 which are in place to ensure that members of the community can see how their rates are being spent.

Yours sincerely

Catherine M Camp

Catherine Camp FSLCC
LRALC Internal Auditor.
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The figures submitted in the Annual Governance and Accountability Return are:

	Year ending 31 March 2021	**Year ending 31 March 2022**
1. Balances brought forward		
2. Annual precept		
3. Total other receipts		
4. Staff costs		
5. Loan interest/capital repayments		
6. Total other payments		
7. Balances carried forward		
8. Total cash and investments		
9. Total fixed assets and long-term assets		
10. Total borrowings		

The proper practices referred to in Accounts and Audit Regulations are set out in *JPAG Practitioners Guide 2021*. It is a guide to the accounting practices to be followed by local councils and it sets out the appropriate standard of financial reporting to be followed. A copy of the guide is available for free download from:

https://www.leicestershireandrutlandalc.gov.uk/uploads/practitioners-guide-2021-1.pdf