

Annual Internal Auditor's report 2022/23 Gawcott with Lenborough Parish Council

Internal Auditor: Deborah O'Brien CiLCA PSLCC.

To: The Councillors of Gawcott with Lenborough Parish Council

Smaller authorities are required by 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.

In accordance with guidelines contained in the 2022 Practitioners' Guide (JPAG) paragraphs 4.6-4.12, I am independent of the Parish Council and its members as well as being a qualified Clerk with over 10 years' experience.

I have carried out a selective assessment of the Council's compliance with relevant procedures and controls, which I expected to be in operation during the year ended 31st March 2023. This internal audit has been conducted electronically utilising requested documents provided by the new Clerk, as well as those present on the website at [Gawcott with Lenborough Parish Council](#). In addition, a Zoom meeting was held on 26 June 2023. The Parish Council has been granted an extension on its submission date for the Annual Governance & Accountability Return due to the recent employment of the Clerk/RFO and the time needed to reconcile the accounts and paperwork.

Internal Audit report assertions

A. Appropriate accounting records have been properly kept throughout the financial year.

- Prior year's cashbook balance has been correctly brought forward. Lines 6 & 7 of 2021/22 have been re-stated to account for a duplicated book-keeping entry. Line 4 of 2021/22 has also been restated (and line 6 accordingly) because the previous year's payments to the Clerk were not entered as staff costs.
- Appropriate accounting records have been kept throughout the year (Scribe accounting system introduced as of April 2022).
- Bank balances are reviewed monthly and minuted. However, reconciliations to the cashbook are not minuted. I recommend that a reconciliation against the cashbook is presented to the council monthly and that agreement of it is minuted.
- Year-end bank reconciliation matched section 2 line 8 of the AGAR.
- Council minutes for the year are complete and signed by the Chairman at the ensuing meeting. Each page of the minutes should also be initialled by the

Chairman. In addition, minutes should be sequentially numbered and each page consecutively numbered in accordance with [Local Government Act 1972 sched 12 paragraph 41 \(1\) \(2\)](#) Also refer to Arnold-Baker on Local Council Administration paragraph 7.37.

B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.

- I can find no evidence of Financial Regulations being adopted in the minutes 2019-April 2023, however the Finance & Governance Risk Assessment makes reference to using them. There is a copy in the electronic files which states that it was approved at the 12 July 2019 meeting, but no minuted record exists.
- The existing Standing Orders date from June 2016 and are out of date. NALC has since issued updated versions on multiple occasions. The latest version is 2018 updated April 2022 – please review and adopt.
- Invoices are presented to full council for approval and payment by cheque. It is recommended that invoices are initialled by the 2 cheque signing councillors and that they are cross referenced to the bank statements and minutes when reconciliations are made. Cheque stubs should also be initialled.
- The Council should look to enable online banking and BACS payments. An internet banking policy should be developed for that purpose.
- **A random sample of invoices was requested to conduct an audit trail. However, 40% of the sample requested were not available to view.** I was able to follow an audit trail between the minutes (expenditure approval and subsequent payment) and scribe accounts. It is imperative that documentation relating to payments and receipts is reviewed at meetings and then filed in an organised way. Repeat vendors for services such as website maintenance or gate closing still need to provide invoices. 2 of the requested but unavailable invoices have been entered as containing VAT - this cannot be reclaimed if there is no documentary evidence. Please verify that all VAT reclaimed has supporting documentation.
- Currently four Councillors are authorised as signatories on the banking mandate. I would recommend that one councillor is non-mandated to act as reviewer of internal controls.

C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

- [The Accounts and Audit Regulations 2015](#) require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts. This must be minuted.

- There are several governance documents which are necessary for a Parish Council to function effectively and lawfully. Currently the council does not have all of these. The minimum requirements are:
 - Standing Orders
 - Financial Regulations
 - Code of Conduct (– the Council's is dated 2012. Buckinghamshire Unitary Council issued a new Model Code of Conduct in 2021 and it is recommended that the Council adopts this).
 - Risk Assessments (– a Strategic Finance & Governance Risk Assessment is evident and was reviewed at the April 2022 meeting).
 - Information Available – ICO model publication scheme see [template-parish-councils-2021](#)
- I reviewed the insurance coverage which is generally adequate. However, the Fidelity Guarantee is only for £50,000, which does not cover the Council's cash balances sufficiently. I would recommend that this is increased to cover at least the maximum anticipated cash balance. (Bearing in mind grant receipts)
- Risk assessments should be conducted for all areas of the Council's activities. This includes the play area, playing field, pavilion etc. The assessments should be kept on file and updated/reviewed regularly.
- If the Council is responsible for trees on its land, a formal inspection by a qualified Arboriculturalist should take place on a regular basis. Please check with your insurance company to determine the frequency required. Also please refer to SLCC's advice note: – "Liability for Trees on Council Land."
- No RoSPA inspection of the play area took place in 2022/23. In addition, regular interim inspections should be conducted and documented. Again, check with your insurance company to determine the frequency required for interim inspections. It is understood that A RoSPA inspection has now been arranged.
- Parish Council records: Electronic data should be backed up onto a separate hard drive or cloud storage on a regular basis. At present it is not, and loss of this data would be detrimental to the function of the Parish Council.
- It is recommended that historic minutes and other hard copy documents are deposited with the County Archivist.

D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

- The 2022/23 budget was reviewed at the December 2021 meeting, and the precept of £20,000 was set at the January 2022 meeting.
- The 2023/24 precept was discussed at the December 2022 meeting, and the January 2023 meeting minutes state: *"Councillors unanimously agreed to no increase in the precept given the economic pressures on residents"*. However, no formal review of the budget was minuted. **The budget must be considered**

and agreed at a meeting of the full council before setting the precept and recorded as such in the minutes. Please refer to Practitioners' Guide paragraph 5.24-5.27. The amount payable should also be recorded.

- It is recommended that regular budget reports are submitted to full council for review (and minuted).
- There are earmarked reserves of £39,450, and these have been explained on the Explanation of Variances for 2022/23. The General Reserve is adequate.

E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

- The precept was received in the amount of £20,000 and matches the national parish data base. Other income includes £13,539 VAT refund; £500 grant; £11,465 playing field income and bank interest.
- I would recommend investigating other interest-bearing accounts for the NS & I bond given the recent increases in interest rates.
- The Parish is not registered for VAT but does reclaim VAT spent using [VAT form 126 claims for organisations not registered for VAT](#) Please ensure that VAT invoices are on file for VAT claims.

F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.

- No petty cash is held.

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.

- **Salary for the previous Clerk was paid on invoice but not reported directly by the Council to HMRC.** Please refer to [EIM67300 - Tax treatment of Parish and Community Council Clerks in England and Wales](#)
- The Council has now been registered as an employer with HMRC (June 2023) and going forward the Clerk/RFO will use HMRC's Basic Tools to administer PAYE and reporting.
- The new Clerk has a contract of employment based upon the model NALC template.
- **The Council must register with the Pensions Regulator even if the employees are not eligible for a pension.** Please refer to [Workplace pensions law - auto enrolment | The Pensions Regulator](#)

H. Asset and investment registers were complete and accurately and properly maintained.

- An asset register is in place. Values should normally be declared at acquisition cost and land owned (if gifted) declared at £1. Please refer to Practitioners' Guide paragraphs 5.56-5.66.

- The asset register should include the land registry references for land owned.
- Asset inspections – it is recommended that these are conducted regularly and minuted accordingly.
- In 2021/22 the £18,000 savings bond was included in line 8 and line 9 of the Accounting Statement (Section 2 AGAR). This has now been removed from line 9.

I. Periodic bank account reconciliations were properly carried out during the year.

- Bank balances are reported at full council meetings every month.
- **I could find no minute reflecting that periodic bank reconciliations are made to the cashbook.** As the council uses Scribe accounting this can easily be facilitated and presented to full council for approval at a meeting where they should be signed, dated and minuted accordingly.
- I was able to verify that the year-end bank reconciliation agrees to supporting bank statements. It should be noted that I have only been able to view a 2021/22 statement for the National Savings £18,000 bond held, but interest payments are regularly generated from the account. The bond is held by Lloyds Bank. March 2023 minute 7.7.2 refers. Update: The 2022/23 statement for NS & I was provided on 5/7/23 and I was able to verify that the account holds £18,000.00 and generates regular interest payments.

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 trail from underlying records and where appropriate, debtors and creditors were properly recorded.

- The council has prepared its accounts on receipts and payments basis.
- The Accounting Statements (AGAR) prepared by the RFO agree to the cashbook.
- Line 2 agrees to the value of the precept raised and received.

K. If the authority certified itself as exempt from a limited assurance review in 2021/22, it met the exemption criteria and correctly declared itself exempt.

- This does not apply as the Council exceeds the £25,000 threshold.

L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.

- [The Accounts and Audit Regulations 2015 - regulation 13](#) requires that all authorities publish on their website for at least 5 (five) years: the statement of accounts, any certificate of the auditor, and the annual governance

statement. It is also recommended that you publish the Annual Internal Audit reports.

- [The Public Sector Bodies \(Websites and Mobile Applications\) Accessibility Regulations 2018](#) requires that public sector bodies must comply with the accessibility requirement. Regular testing of the website should be undertaken. The site was last tested in September 2020. It is the council's legal responsibility to ensure that the website meets accessibility requirements. Various applications are available to assist with this such as [WAVE webaim](#). Your website provider may be able to assist.
- The Accessibility Statement should be reviewed annually at a minimum and updated where necessary. The statement on the website has not been reviewed since March 2022 and should be updated. A sample statement is available at [Sample accessibility statement - GOV.UK \(www.gov.uk\)](#)
- All documents dated after 23 September 2018 and created by the Council should be in an accessible format and where these are PDFs should be PDF/A created with header bookmarks within the document. Assistance with this can be found at [Creating Accessible Documents | AbilityNet](#).
- [Data Protection Act 2018](#) - The Privacy policy on the website is out of date and references that the PC 'may periodically email about special offers... etc.' A specific, dedicated privacy statement should be developed and adopted that is suited to Parish Council business and responsibilities as a Data Controller. NALC has a GDPR toolkit which may be useful. A Data Protection policy is also recommended.
- **There is no model Publication Scheme Policy issued by the Information Commissioner's Office. This is a requirement under the Freedom of Information Act and an example is at [template-parish-councils-2021](#)**

M. In the year covered by the AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations (*during the 2022-23 AGAR period, were public rights in relation to the 2021-22 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set?*)

- **The Council has not published the Notice for the Period for the Exercise of Public Rights on its website. I have seen a copy of the document, but it was not minuted as approved at a meeting of the Council.**
- **The dates of 1 June – 22 July 2022 were given, with announcement date of 31 May 2022. This exceeded the 30 working days requirement. The Accounting Statement was not approved until the 9th of June 2022 meeting, with the RFO signing the same document on 13th June 2022, so the period for the Exercise of Public Rights was not correctly called. I would recommend recording the exact dates in the minutes as this then serves as proof of compliance.**

N. The authority has complied with the publication requirements for 2021/22 AGAR (see AGAR page 1 Guidance Notes)

- The Council published the Annual Governance Statement, Accounting Statements and External Auditor's report on its website.
- **The Notice of Conclusion of Audit was not published on its website.**

O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.

- Not applicable.

Other matters not covered above:

- For reference: The May meeting of the Parish Council is The Annual Parish Council meeting, and the first order of business must be the election of a Chairman. [Local Government Act 1972 section 15 \(2\)](#) The Chairman must also sign an Acceptance of Office upon election. There has not been an election of Chairman minuted in 2020, 2021 or 2022.
- The Parish also should hold an Annual Parish Meeting for the electors. It may be held on the same evening as the Annual PC meeting. However, it is not a PC meeting. This meeting is called by the Chairman, any 2 councillors or 6 electors, and must take place between 1 March and 1 June and does not require councillors to attend (no summons needed) [Local Government Act 1972 schedule 12 part III](#).
- Minutes and other documents are not uploaded to the website in a timely manner. It is considered best practice that draft minutes should be available on the website within 30 days of the meeting. At time of reporting (03/07/23), the latest minutes displayed are from January 2023.
- The [Transparency Code for Smaller Authorities 2015](#) requires that the following information must be published by authorities with turnover below £25,000:
all items of expenditure above £100; end of year accounts; annual governance statement; internal audit report; list of councillor or member responsibilities; the details of public land and building assets; Minutes, agendas and meeting papers of formal meetings.

The Council exceeds the £25,000 threshold, but it is recommended that the guidelines in the Transparency Code are followed as best practice.

- The use of councillors' personal e-mail addresses may cause GDPR and Freedom of Information issues. It is recommended that dedicated PC e-mail addresses are used by councillors for Parish Council business. The Clerk has a PC specific e-mail address using the website domain. Please refer to [Fact sheet for councils: the use of personal email addresses and devices \(ico.org.uk\)](#) for guidance.

- The External Auditor's report for 2021/22 raised several issues which the Council reviewed at its October 2022 meeting. Please review these prior to submitting this year's report, to ensure correct procedures are followed.
- Practitioners' Guide should be reviewed by Councillors and used as the basis for preparing and approving the Annual Governance & Accountability Return (AGAR). The version for 2022/23 is available at [2022 Practitioners' Guide](#). An updated version for 2023/24 is available at [2023 Practitioners' Guide](#).

I realise that there are many issues highlighted here. The purpose of this Internal Audit is to assist the Parish Council to run more effectively in conjunction with the guidance and recommendations in the Practitioners' Guide. I would recommend that the Parish Council develops a plan of action to address the matters raised in this report, and, if it wishes to, to have an interim audit later in the year to measure progress.

The Proper Officer and Clerk/RFO, Pam Molloy is highly motivated to achieve compliance for the Parish Council and residents and, to that end, is already developing policies and procedures. I would like to thank Pam for her assistance in providing information to enable me to conduct this internal audit.

If there are any questions or further guidance is needed, please do not hesitate to ask.

Sincerely,

Deborah O'Brien

3rd July 2023