

## **LITTLE BARDFIELD PARISH COUNCIL REPORT OF INTERNAL AUDIT REVIEW FOR 2018 - 19**

### **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 2019 and available on the NALC website. My internal audit review of the Parish Council's financial affairs for the year 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 take this opportunity to express my appreciation to Ms Delia Scott, the Clerk and Responsible Finance Officer to the Council, for her assistance.

### **Findings**

The major findings and recommendations are listed below. More detailed findings and recommendations to address any issues are contained in the Appendices to this report.

1. Financial transactions are recorded in a ledger book. This record was not complete and had not been successfully reconciled to the year end bank statements.
2. The financial requirements of the council are not extensive but again there is no record of any discussions around setting the precept for 2019/20. At its meeting in November 2018 an increase of £50 was agreed but the minutes of the next meeting in March 2019 record that 'it had been agreed subsequent to the last meeting that the precept should be increased by £100'. **This is illegal** – the precept must be agreed at a properly constituted meeting of the whole council that has been publicly advertised and is open to the public.
3. In the absence of a formal budget there was no monitoring of progress during the year. The financial report to council meetings now take the form of copies of the latest bank statement with the purpose of cheque payments noted.
4. During the year a second bank account was opened to handle the Community Fund. This should make accounting for spend from this fund easier. A reserve of £2,000 has been set aside from the general fund to cover the costs of any possible contested election. The remaining general reserve is appropriate.
5. Revised Standing Orders based on the new model issued by NALC were approved by the Council at its meeting in May 2018. Financial Regulations were also reviewed and formally accepted at the same meeting.

6. Income was properly recorded and no VAT on income was due.
7. The Clerk's salary was paid in accordance with the contract agreed in February 2018. No allowances were paid to members.
8. A register of assets owned by the Council has been drawn up and agreed.
9. The Transparency Code for Smaller Authorities requires that the Annual Governance and Accounting Return and accompanying documents should be posted on a website available to the public. That for 2017/18 could not be found on either the Council's [essexinfo.net](http://essexinfo.net) website nor the new Little Bardfield website, although I was told it was on the former.

### **Recommendations**

With reference to the above findings I recommend that the council address the following points:-

1. Consideration should be given to scheduling a meeting during January to facilitate a revision of the precept before the return to the District Council has to be submitted. Alternatively an extraordinary meeting must be called if the amount agreed at the November meeting is to be changed.
2. A budget should be prepared to inform the setting of the precept and to ensure that reserves do not build up without a clear purpose for their use.
3. A report comparing spend against budget should be prepared at least for the November meeting to inform discussions of the budget and precept for the following year
4. The Annual Governance and Accounting Return and accompanying documents should be clearly posted on the Council's website as required under the Transparency Code for Smaller Authorities.

### **Opinion**

It is disappointing that there are some significant shortcomings reported here.

I am sure that the Council will work with the recently appointed Clerk and Responsible Financial Officer to improve the financial controls of the Council. This may require more time to be allotted to these aspects of the job.



Nancy Powell Davies ACMA, CGMA

2<sup>nd</sup> May 2019

## LITTLE BARDFIELD PARISH COUNCIL – DETAILED FINDINGS 2018/19

Expectation	Findings	Recommendations
A Appropriate books of account have been properly kept throughout the year.	<ul style="list-style-type: none"> <li>Financial transactions are recorded in a ledger book. This record was not complete and had not been successfully reconciled to the year end bank statements.</li> </ul>	<ul style="list-style-type: none"> <li>The council should ensure appropriate books of account have been properly kept.</li> </ul>
B The council's financial regulations have been met, payments were supported by Invoices, expenditure was approved and VAT was appropriately accounted for.	<ul style="list-style-type: none"> <li>Revised Standing Orders based on the new model issued by NALC were approved by the Council at its meeting in May 2018. Financial Regulations were also reviewed and formally accepted at the same meeting.</li> <li>VAT was appropriately accounted for.</li> </ul>	<ul style="list-style-type: none"> <li>Agreed that expectation met with.</li> </ul>
C The council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	<ul style="list-style-type: none"> <li>A risk assessment was considered at the meeting in May 2018.</li> </ul>	<ul style="list-style-type: none"> <li>Agreed that expectation met with.</li> </ul>

Expectation	Findings	Recommendations
<p><b>D</b> The annual precept requirements resulted from an adequate budgetary process; progress against budget was regularly monitored; and reserves were appropriate.</p>	<ul style="list-style-type: none"> <li>• The financial requirements of the council are not extensive but again there is no record of any discussions around setting the precept for 2019/20. At its meeting in November 2018 an increase of £50 was agreed but the minutes of the next meeting in March 2019 record that 'it had been agreed subsequent to the last meeting that the precept should be increased by £100'. This is illegal – the precept must be agreed at a properly constituted meeting of the whole council that has been publicly advertised and is open to the public.</li> <li>• In the absence of a formal budget there was no monitoring of progress during the year.</li> <li>• During the year a second bank account was opened to handle the Community Fund. This should make accounting for spend from this fund easier.</li> <li>• A reserve of £2,000 has been set aside to cover the costs of any possible contested election. The remaining general reserve is appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>• Consideration should be given to scheduling a meeting during January to facilitate a revision of the precept before the return to the District Council has to be submitted. Alternatively an extraordinary meeting must be called if the amount agreed at the November meeting is to be changed.</li> <li>• A budget should be prepared to inform the setting of the precept.</li> <li>• A report comparing spend against budget should be prepared at least for the November meeting to inform discussions of the budget and precept for the following year.</li> </ul>
<p><b>E</b> 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"> <li>• Income was properly recorded and no VAT on income was due.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed that expectation met with.</li> </ul>
<p><b>F</b> Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.</p>	<ul style="list-style-type: none"> <li>• No petty cash account is maintained. Minor expenses are claimed by the clerk on a quarterly basis and paid by cheque.</li> </ul>	<ul style="list-style-type: none"> <li>• Not applicable</li> </ul>

Expectation	Findings	Recommendations
<b>G</b> Salaries to employees and allowances to members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.	<ul style="list-style-type: none"> <li>• The Clerk's salary was paid in accordance with the contract agreed in February 2018.</li> <li>• No allowances were paid to members.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed that expectation met with.</li> </ul>
<b>H</b> Asset and investment registers were complete and accurate and properly maintained.	<ul style="list-style-type: none"> <li>• A register of assets owned by the Council including dates and cost of purchase for all but the most historic items has been drawn up and agreed.</li> <li>• The council has no long term investments.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed that expectation met with.</li> </ul>
<b>I</b> Periodic and year end bank account reconciliations were properly carried out.	<ul style="list-style-type: none"> <li>• The financial report to council meetings now take the form of copies of the latest bank statement with the purpose of cheque payments noted.</li> <li>• The year-end reconciliation with the ledger book had not been completed at the time of the audit.</li> </ul>	<ul style="list-style-type: none"> <li>• The Council should ensure that regular bank account reconciliations are properly carried out.</li> </ul>
<b>J</b> 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.	<ul style="list-style-type: none"> <li>• Accounting statements prepared during the year take the form of annotated copies of the bank statements.</li> <li>• Year end accounts are prepared on a Receipts and Payments basis which is appropriate for a council of this size.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed that expectation met with.</li> </ul>



## REQUIREMENTS OF TRANSPARENCY CODE FOR SMALLER AUTHORITIES

### Information to be posted on a website

Requirement	Finding
<b>PUBLICATION OF EXPENDITURE</b> Smaller councils are required to publish annually the details of each individual item of expenditure above £100.	<b>Finding</b> The list of payments posted to the new Little Bardfield website confusingly includes Income from Lightsource and HMRC for VAT refunds. This inflates the total spend to over twice the actual sum.
<b>PUBLICATION OF END OF YEAR ACCOUNTS</b> 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: <ul style="list-style-type: none"> <li>• copy of the bank reconciliation for the relevant financial year;</li> <li>• 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;</li> <li>• explanation of any differences between 'balances carried forward' and 'total cash and short term investments'</li> </ul>	<b>I could not find any of this information for the year ended 2017/18 on either the new parish web site nor the old essexinfo.net site, although I am told that it is in August on the old site.</b>
<b>PUBLICATION OF ANNUAL GOVERNANCE STATEMENT</b> Councils must publish their annual governance statement according to the format included in the annual return form.	<b>None of this information for the year ended 2017/18 could be found on either the new parish web site nor the old essexinfo.net site.</b>
<b>PUBLICATION OF INTERNAL AUDIT</b> Councils must publish their annual internal audit report according to the format included in the annual return form.	<b>I could not find any of this information for the year ended 2017/18 on either the new parish web site nor the old essexinfo.net site, although I am told that it is in August on the old site.</b>

<b>Requirement</b>	<b>Finding</b>
<p><b>PUBLICATION OF LIST OF COUNCILLOR RESPONSIBILITIES</b></p> <p>Councils must publish a list of councillor or member responsibilities. The list should include the following information:</p> <ul style="list-style-type: none"> <li>• names of all councillors;</li> <li>• committee membership and function (if chairman or vice-chairman) of each councillor;</li> <li>• representation on external local public bodies (if nominated to represent the council) of each councillor.</li> </ul>	<p>The new Little Bardfield website lists the names and contact details for all the councillors. The chairman and vice chairman of the council are noted but no other specific responsibilities.</p>
<p><b>PUBLICATION OF LAND AND BUILDING ASSETS</b></p> <p>Smaller local councils should publish details of all public land and building assets.</p>	<p>The full list of tangible assets has been posted to the new Little Bardfield website.</p>
<p><b>PUBLICATION OF MINUTES, AGENDAS, AND PAPERS OF FORMAL MEETINGS</b></p> <p>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.</p> <p>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 council meetings in 2018/19 have been posted to the new Little Bardfield website.</p>