

# **LITTLE BARDFIELD PARISH COUNCIL**

## **REPORT OF INTERNAL AUDIT REVIEW FOR 2020-21**

### **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 2021 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 Mrs Liz Williamson, 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. At the beginning of the year the Council had to deal with the introduction of restrictions associated with the outbreak of Covid 19. These were dealt with effectively and the Council have adapted to meeting on Zoom. The Council is currently operating with only three members which leaves it very vulnerable to becoming inquorate.
2. Financial transactions are recorded in a spreadsheet. Transactions relating to the Community Fund are recorded separately and a second bank account is used. VAT is recorded separately in the spreadsheet but net costs are not identified which is misleading because they reflect the true cost to the council.
3. The reduction in the precept for 2021/22 was agreed by the council at its meeting in November 2020. The budget for 2021/22 was not discussed and agreed until the meeting in February 2021, however.
4. Standing Orders and Financial Regulations were agreed by the Council at its meeting in June 2020. It was unclear from the minutes what expenditure was approved by the Council in a meeting before being paid.
5. The Risk Assessment was approved by the council at its meeting in June 2020. The Council's insurance only covers 'contents' such as street furniture, office equipment, etc to a value of £10,000 whereas the asset value stated in the accounts is £13,586.
6. The Clerk's salary was paid in accordance with the council's approval. Her performance was reviewed in June and a significant advancement in pay scale awarded. PAYE and NI requirements are properly applied. No allowances were paid to members.

7. The register of community assets was updated for the purchase of a second defibrillator in the year.
8. The Council met the criteria for exemption from a limited assurance review in 2019/20 and completed the certificate correctly. The notice of public rights to examine the accounts for 2019/20 was incorrectly completed.
9. The Transparency Code for Smaller Authorities requires various information to be posted on the council's website. Some required items could not be found, however.

### **Recommendations**

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

1. It is best practice to agree the budget for the following year before setting the precept required to achieve the budgeted expenditure.
2. Values net of VAT should be recorded and used in financial reports to reflect the true cost of goods and services to the council, with VAT being shown as a separate line.
3. More care needs to be taken in minuting when payments are approved by the council.
4. The All Risks contents insurance cover for the council's assets should be reviewed.
5. More care needs to be taken when completing the Notice of Public Rights for publication.
6. Note should be taken of the items missing from those published on the website.

### **Opinion**

The Responsible Finance Officer and council will, I am sure, continue to work together to improve still further the management of the financial affairs of the council. It is a sad fact that the duties of the Clerk and Responsible Finance Officer are nearly as time-consuming for a council of this size as they would be for a council with twice the budget. With so few councillors and less frequent official meetings there is a temptation to loosen the formalities and make decisions outside the meetings.

*N Powell Davies*

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Nancy Powell Davies ACMA, CGMA  
30<sup>th</sup> April 2021

**LITTLE BARDFIELD PARISH COUNCIL – DETAILED FINDINGS 2020/21**  
**EXPECTATION OF ANNUAL GOVERNANCE AND ACCOUNTABILITY RETURN**

<b>Expectation</b>	<b>Findings</b>	<b>Recommendations</b>
A Appropriate accounting records have been properly kept throughout the year.	<ul style="list-style-type: none"> <li>An Excel spreadsheet has been maintained as a record of transactions with separate sheets for the Community Account and the Treasurer's Account.</li> </ul>	<ul style="list-style-type: none"> <li>Agreed that expectation met with.</li> </ul>
B This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was properly accounted for.	<ul style="list-style-type: none"> <li>Standing Orders and Financial Regulations were agreed by the Council at its meeting in June 2020.</li> <li>Invoices to support payments were generally available. It was unclear from the records what expenditure was approved by the Council in a meeting before being paid.</li> <li>VAT is recorded separately in the spreadsheet but net costs are not identified which is misleading because they reflect the true cost to the council.</li> </ul>	<ul style="list-style-type: none"> <li>Values net of VAT should be recorded and used in financial reports to reflect the true cost of goods and services to the council, with VAT being shown as a separate line.</li> <li>More care needs to be taken in minuting when payments are approved by the council.</li> </ul>
C This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	<ul style="list-style-type: none"> <li>The Risk Assessment was approved by the council at its meeting in June 2020.</li> <li>NALC is now recommending that all local councils should have .gov.uk websites and attached secure generic email addresses to reduce the possibility of interference.</li> <li>The Council's insurance only covers 'contents' such as street furniture, office equipment, etc to a value of £10,000 whereas the asset value stated in the accounts is £13,586.</li> </ul>	<ul style="list-style-type: none"> <li>The advisability of opening a .gov.uk registered website with associated secure, generic email addresses should be investigated.</li> <li>The insurance cover for All Risks contents should be reviewed.</li> </ul>

D The precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	<ul style="list-style-type: none"> <li>The precept for 2021/22 was agreed by the council at its meeting in November 2020. The budget for 2021/22 was not discussed and agreed until the meeting in February 2021.</li> <li>A reserve of £2,000 has been set aside to cover the costs of any possible contested election. The balance in the Community Fund can be considered like an earmarked reserve. The remaining general reserve is nearly 3 times the precept which would normally be considered rather large.</li> </ul>	<ul style="list-style-type: none"> <li>It is best practice to agree the budget for the following year before setting the precept required to achieve the budgeted expenditure.</li> </ul>
E Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	<ul style="list-style-type: none"> <li>There are limited source of income, the most significant being the precept and the grant from LightSource which forms the basis of the Community Fund.</li> </ul>	<ul style="list-style-type: none"> <li>Agreed that expectation met with.</li> </ul>
F Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	<ul style="list-style-type: none"> <li>A petty cash account is not maintained.</li> </ul>	<ul style="list-style-type: none"> <li>Not relevant.</li> </ul>
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.	<p>The Clerk's salary was paid in accordance with the council's approval. Her performance was reviewed in June and a significant advancement in pay scale awarded.</p> <ul style="list-style-type: none"> <li>PAYE and NI requirements are properly applied.</li> <li>No allowances were paid to members.</li> </ul>	<ul style="list-style-type: none"> <li>Agreed that expectation met with.</li> </ul>
H Asset and investments registers were complete and accurate and properly maintained.	<ul style="list-style-type: none"> <li>The register of community assets was updated for the purchase of a second defibrillator in the year.</li> </ul>	<ul style="list-style-type: none"> <li>Agreed that expectation met with.</li> </ul>

I Periodic bank account reconciliations were properly carried out during the year.	<ul style="list-style-type: none"> <li>Bank reconciliations are carried out.</li> </ul>	<ul style="list-style-type: none"> <li>Agreed that expectation met with.</li> </ul>
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.	<ul style="list-style-type: none"> <li>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 adequate.</li> </ul>	<ul style="list-style-type: none"> <li>Agreed that expectation met with.</li> </ul>
K IF the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt.	<ul style="list-style-type: none"> <li>The Council met the criteria for exemption from a limited assurance review in 2019/20.</li> </ul>	<ul style="list-style-type: none"> <li>Agreed that expectation met with.</li> </ul>
L The authority publishes information on a website / webpage, up-to-date at the time of the internal audit, in accordance with the Transparency code for smaller authorities.	<ul style="list-style-type: none"> <li>Agendas and minutes of council meetings in 2020/21 have been posted to the Little Bardfield website and were up-to-date at the time of the internal audit.</li> </ul>	<ul style="list-style-type: none"> <li>Agreed that expectation met with.</li> </ul>
M The authority, during the previous year (2019/20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations.	<ul style="list-style-type: none"> <li>The notice of public rights to examine the accounts for 2019/20 on the Council's website contained some wrong dates.</li> </ul>	<ul style="list-style-type: none"> <li>More care needs to be taken when completing the Notice of Public Rights for publication.</li> </ul>
N The authority has complied with the publication requirements for 2019/20 AGAR.	<ul style="list-style-type: none"> <li>See Appendix 2 for more details on the information required to be published on the authority's website.</li> </ul>	<ul style="list-style-type: none"> <li>Note should be taken of the items missing from those published on the website.</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.	Details of all individual items of expenditure are included in the End of Year Accounts
<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>	The Statement of Accounts for 2019/20 in the format included in the annual report form was found on the council's website. <b>Copies of the bank reconciliation and explanation of variances did not accompany it, however.</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.	The Annual Governance Statement in the format included in the annual report form was found on the council's website.
<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>The Internal Audit Report in the format included in the annual report form was not found on the council's website</b> although the full report provided for councillors was.

Requirement	Finding
<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 council 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 latest full list of tangible assets posted to the Little Bardfield website referred to 2019. <b>The council does not own any land or buildings so a notice to this effect is required.</b></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>Agendas and minutes of council meetings in 2020/21 have been posted to the Little Bardfield website and were up-to-date at the time of the internal audit.</p>