

Public Sector Audit

Goxhill Parish Council

Internal Audit Report for the year ended 31 March 2022

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Introduction

Part 2, paragraph 5 (1) of the Accounts and Audit Regulations 2015 imposes a duty on Local Councils 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”.

Internal audit is a key component of the system of internal control. The purpose of internal audit is to review whether the systems of financial and other controls over a council's activities and operating procedures are effective.

At the request of the council I have conducted an Internal Audit review of the council's accounting records in respect of the financial year ended 31 March 2022. I have acted independently and, on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in place during the financial year.

The audit has been carried out in accordance with the council's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions and recommendations have been recorded in the table below.

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Prioritisation of recommendations

In accordance with good internal audit reporting practice and the Governance and Accountability for Local Councils Practitioners Guide, the recommendations contained in this report have been prioritised. The following 'traffic light' system for the prioritisation of recommendations has been adopted: Page | 3

- Significant weakness in internal control requiring urgent attention.
- Moderate weakness in internal control requiring attention within the current year.
- Minor weakness in internal control, or matters of good practice the council may wish to consider, to be addressed within the current year.

Distribution List

Chairman of the Council

All Members of the Council

Clerk to the Council

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The findings of the audit are summarised below

	Test	Findings and Recommendations
1	Have appropriate books of account been properly maintained throughout the year?	<p><u>Appropriate accounting records</u></p> <p>Findings</p> <p>The cash book is maintained on a combined receipts and payments spreadsheet and is arithmetically correct.</p> <p>It is sufficiently well analysed to provide all the information required for the completion of the Annual Governance and Accountability Return (AGAR). The Clerk has correctly taken note of the revised classification of staff mileage costs and working from home allowance in accordance with Government guidance.</p> <p>It is noted that the council incurred expenditure on the refurbishment of the Millennium Hall kitchen, including the purchase of new equipment and appliances. This was incurred prior to confirmation being received that the Hall belonged to the Village Hall Charity. The VAT element of this expenditure was also included on the council's VAT reclaim.</p> <p>A year-end bank reconciliation has been performed and monthly reconciliations are presented to each meeting of the council.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● As it has now been confirmed that the Village Hall belongs to the Village Hall Charity and not the Parish council, the council must not incur any further direct expenditure on the Village Hall and must not reclaim any VAT which does not relate to council business.
2	Have the council's Financial Regulations and Standing Orders been formally adopted and complied with?	<p><u>Adherence to Financial Regulations and Standing Orders</u></p> <p>Findings</p> <p>The council reviewed and adopted amended Financial Regulation at the meeting held on the 3rd February 2022. The regulations are the latest NALC Model.</p>

		<p>The council reviewed and approved its Standing Orders at the meeting held on the 2nd June 2021.</p> <p>The Government has announced revised thresholds in respect of tendering for public contracts, which came into effect on the 1st January 2022; the NALC Model, however, has not yet been updated. The Clerk is aware of this and will update Standing Orders to take account of the revisions in the coming months.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● Standing Orders should be amended in the current financial year to take account of the Government's revised procurement thresholds.
3	<p>Are payment controls effective and VAT properly accounted for?</p> <p>Has the council recorded s137 expenditure separately and is it within the statutory limit?</p>	<p><u>Adequate payment controls</u></p> <p>Findings</p> <p>I have tested a large sample of payments throughout the year for appropriateness of expenditure and agreement with the cash book. I have also tested that council payments have been submitted to council for formal review and approval. For the sample tested, all payments are included on the monthly reconciliation which is submitted to each meeting for council authorisation and is signed as authorised by the Chairman.</p> <p>It is noted that £63.94 was paid to HMRC in March 2022 in respect of the council's National Insurance employer's contribution. The documentation from the HMRC software, in respect of the amount due for March 2022, identifies that £163.94 was due in respect of the council's NI contribution for March 2022.</p> <p>I have tested that VAT has been correctly identified in the cash book and included in the VAT reclaims submitted to HMRC.</p> <ul style="list-style-type: none"> ➤ A reimbursement in April 2021 for replacement locks has been analysed in the cash book excluding VAT. The supplier's VAT registration number is shown on the till receipt and does, therefore, constitute a "VAT invoice" under HMRC's simplified invoice rules for payments up to £250. <p>The payment in June for Internal Audit services has been recorded in the cash book including £15.00 coded to VAT. Public Sector Audit is not VAT registered and no VAT was included on the invoice.</p>

I have reviewed invoices for completeness, accuracy, correct year of account, classification in the cash book and compliance with the council's Financial Regulations.

- The payment of PAYE and NI in November 2021 has been analysed as administration in the cash book. Such costs must be analysed as staff costs and thereby included in box 4 on the Accounting Statement on the AGAR.

It is noted that the council pays for the maintenance of the Millennium Green as the Trust does have any funds. As recommended by the External Auditor, the council minuted in June 2021 that *"The council has agreed to spend its own funds on the maintenance of the Millennium Green for the good of the community as a whole."*

An analysis column has correctly been included in the cash book for expenditure incurred using statutory powers provided by s.137 of the Local Government Act 1972. It is noted that expenditure in respect of the purchase of a Jubilee beacon, flagpole and flags, which the council has the statutory power to incur have, however, been included in the cash book as s.137 expenditure. Where more specific powers are available to the council to incur expenditure, s.137 should not be used. This statutory power should only be used when a more specific power to incur expenditure is not available to the council. All other expenditure analysed as s.137 is appropriate for this statutory power and is well within the statutory limit.

Two cheques were issued during the year and the stubs have correctly been initialled by both signatories to signify agreement with the cheque and the documentation provided at the time of signing.

Recommendations

- The shortfall in the March 2022 payment in respect of employer's NI should be paid to HMRC as soon as possible to avoid a surcharge or interest being charged on the late payment.
- Payments made, which satisfy HMRC simplified invoice rules should be analysed in the cash book with the appropriate VAT element identified in the VAT column for reclaim purposes from HMRC.

		<ul style="list-style-type: none"> ● VAT should only be recorded in the cash book when the council is in receipt of a VAT invoice. ● The payment of PAYE and NI to HMRC in November 2021 must be re-allocated to staff costs in the cash book for inclusion in box 4 on the year-end AGAR. This must be done prior to the submission of the AGAR to PKF Littlejohn. ● Expenditure should only be coded to the statutory power of s.137 when no other statutory power is available to the council.
4	<p>Has the council assessed the significant risks in delivering its activities and services and regularly reviewed the adequacy of these assessments?</p> <p>Is insurance cover appropriate and adequate?</p> <p>Are financial controls documented and regularly reviewed?</p>	<p>Assessment of significant risks</p> <p>Findings</p> <p>The council maintains comprehensive Risk Assessments covering council owned and maintained land, assets and associated liability to the public. The Risk Assessments were approved at the meeting held on the 3rd March 2022.</p> <p>The Risk Assessments identify that both land and assets are inspected regularly. Detailed risk inspection sheets have been completed and provided to audit for review and verification. Inspection sheets have not been provided to audit, however, in respect of the allotments and the Parish Room</p> <p>It is noted that playground inspections were undertaken during the year by NLC and Playdale.</p> <p>I have reviewed the council's insurance cover and the limits of indemnity are adequate.</p> <p>I have reviewed the council's arrangements for the security of its electronic information and the Clerk has confirmed that the council's computer is password protected and is backed up weekly onto a USB memory stick.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● All inspection sheets should be provided to audit for review and verification.

		<ul style="list-style-type: none"> ● If the allotments and the Parish room are not being inspected, they should be added to the inspections currently being undertaken, in order to protect the council's interests and potential liabilities.
5	<p>Has the annual precept requirement resulted from an adequate budgetary process?</p> <p>Has progress against budget been regularly monitored and reported and were reserves appropriate?</p>	<p><u>Adequate budgetary process</u></p> <p>Findings A detailed annual budget was prepared for the purpose of setting the 2021/22 Precept.</p> <p>Detailed budget monitoring reports were presented to council quarterly for review and approval. The reports include a narrative column which is used to explain the reasons for variances between original budget and receipts and payments to date.</p> <p>Year end balances at 31st March 2021 totalled £87,208. This comprises earmarked reserves of £15,684 for future projects and a general reserve of £71,524. The general reserve equates to 92% of the current year's Precept and is considered prudent for a council the size of Goxhill PC.</p>
6	<p>Was all expected income fully received in accordance with the current scale of charges, properly accounted for and promptly banked?</p> <p>Were security controls over cash and cash equivalents effective?</p>	<p><u>Adequate income controls</u></p> <p>Findings Apart from the Precept and Council Tax Grant from NLC, the council received income from the cemetery, allotments, quarterly VAT refunds, various other grants, highway verges and PROW grants and a small amount of bank interest.</p> <p>The council last reviewed its charges and approved revised Scales of Charges covering the Parish Rooms, Allotments, Memorial Hall hire, Tennis Courts, Bowls Club and Bowling Green and Cemetery fees, on the 7th April 2022.</p> <p>I have agreed allotment income received to the Scale of Charges and the Allotment Register.</p>

		<p>I have agreed a sample of cemetery income to the council's cemetery fees and charges. It is noted that the council has now purchased a Register of Graves which provides an audit trail from the register to the income received by the council.</p> <p>All other income has been agreed to supporting documentation and the cash book.</p>
7	<p>Were petty cash payments appropriate and supported by receipts?</p> <p>Was all expenditure approved and reported to members?</p> <p>Has VAT been correctly accounted for?</p>	<p><u>Appropriate petty cash controls</u></p> <p>Findings</p> <p>The council does not maintain a petty cash system. All petty expenditure is reimbursed to the Clerk and Members of the council via the payments system.</p> <p>Issues regarding the recovery of VAT in respect of the purchase of sundry items are noted in section 3 of this report.</p> <p>Petty cash payments are included in the schedule reported to each council meeting.</p>
8	<p>Do all employees have contracts of employment with clear terms and conditions?</p> <p>Are salaries to employees and all other payments and allowances paid in accordance with council approvals?</p> <p>Has PAYE and NI been correctly deducted and paid to HMRC?</p>	<p><u>Adequate payroll controls</u></p> <p>Findings</p> <p>The council's only employee is the Clerk and a Contract of Employment dated 1st January 2022 identifies new terms and conditions of employment. It is noted that the gross pay quoted in the contract is incorrect for the new NJC Spinal Column Point (SCP) for this officer. The hourly rate is, however, correct.</p> <p>I have agreed the gross payments for each month to the original and new contracts and authorised overtime payments.</p> <p>The Clerk is subject to PAYE and NI regulations and for the sample checked, statutory deductions have been correctly paid to HMRC.</p>

		<p>Recommendation</p> <ul style="list-style-type: none"> ● As a contract of employment is a legal document, the correct salary should be inserted in the contract to agree with the 2021/22 NJC SCP for this member of staff.
9	Is the Asset and Investment Register complete and accurate and reviewed on a regular basis?	<p><u>Appropriate recording of assets</u></p> <p>Findings</p> <p>The council's revised Asset Register is in the form of a schedule which identifies the council's assets as at 31st March 2022. It is in the recommended format.</p> <p>It is noted that the council chose to use the insurance value for the valuation of its assets on the year-end Accounting Statement. It was noted last year that this basis is acceptable as a basis for valuation in the first instance, but the valuation must not be increased when the valuations on the insurance policy increase for inflation purposes.</p> <p>Purchases during the year for the Memorial Hall have not been added to the register as the council has now identified that the Memorial Hall is owned by the Memorial Hall Charity.</p> <p>It is noted that the purchase of a beacon and flagpole and flags has not been added to the register as these items are to be re-imbursed.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● If the ownership of the beacon, flagpole and flags is to remain with the council, the assets should be added to the register during the current year at a nominal value of £1 each as gifted assets.
10	Were bank reconciliations performed on a regular and timely basis?	<p><u>Adequate bank reconciliations</u></p> <p>Findings</p> <p>Year-end and monthly bank reconciliations have been prepared by the Clerk and presented to each council meeting. They include both of the council's bank accounts and do not include any unusual or balancing entries.</p>

	<p>Has a year-end reconciliation been performed and balanced?</p> <p>Have all bank reconciliations been reviewed by an appointed member and evidenced as such?</p>	<p>All reconciliations have been signed as seen and approved by the Chairman of the council.</p>
11	<p>Were Accounting statements 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, were debtors and creditors properly recorded?</p> <p>Has the previous Internal Audit Report been submitted to council and actioned as necessary?</p>	<p><u>Correct accounting basis and previous Internal Audit Report actioned</u></p> <p>Findings</p> <p>The year-end Accounting Statements have been prepared on the correct accounting basis (Receipts and Payments) and, therefore, debtors and creditors have not been included.</p> <p>The Statements agree with the cash book and there is an audit trail from underlying financial records to the year-end statements. As noted in section 3 of this report, the payment of PAYE and NI has been incorrectly analysed as administration. For the purposes of completing the year-end Accounting Statements, such costs must be analysed as staff costs in the cash book.</p> <p>The total value of assets on the Asset Register as at the 31st March 2022 agrees to the declaration in box 9 on the Accounting Statement on the AGAR.</p> <p>The 2020/21 Internal Audit Report was presented to the council meeting held on the 2nd June 2021 and the Clerk correctly prepared an action plan to ensure that all recommendations were actioned.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● As noted in section 3 of this report, the payment of PAYE and NI in November 2021 must be re-allocated to box 4 on the AGAR and the figure in box 6, all other payments, must be reduced by the same amount. These must be actioned prior to the submission of the AGAR to the External Auditor and a revised copy of the Accounting Statement should be forwarded to the Internal Auditor for record purposes.

12	If the council certified itself as exempt from an External Audit Limited Assurance Review last year, has it met the exemption criteria and correctly declared itself exempt?	<p><u>Exemption Certificate</u></p> <p>Findings</p> <p>The council, correctly, did not complete an Exemption Certificate under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015.</p>
13	Did the council correctly provide, during the summer, the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations 2015?	<p><u>Exercise of Public Rights</u></p> <p>Findings</p> <p>I have confirmed by a review of the council's website that, during the summer of 2021, the council correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the 2015 Accounts and Audit Regulations.</p>
14	Did the council comply with the publication requirements for the previous year's AGAR?	<p><u>Publication Requirements</u></p> <p>Findings</p> <p>I have reviewed the council's website and confirmed that the council published the correct documents, as required by the Accounts and Audit Regulations 2015. It was noted, however, that the date of the meeting at which section 2 (the Accounting Statements 2020/21) of the AGAR was approved, is wrongly stated as the 2nd May 2021. The correct date is the 2nd June 2021. It is also noted that the minute 2106/8 of the council meeting held on the 2nd June records that "<i>the internal audit report was circulated and received by the full council and the annual governance statement was approved</i>". The minute does not record that the Accounting Statements for 2020/21 were also approved (as was confirmed on the certification on the Accounting Statements signed by the Chairman prior to submission to the External Auditor).</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● The council should ensure that accurate information is entered onto the AGAR. ● The council should ensure that the minutes accurately reflect the documents being approved for the External Auditor.

15	Has the council met its responsibilities as a Trustee?	<p><u>Trustee responsibilities</u></p> <p>Findings</p> <p>I have previously been advised that the Council is the sole Trustee for both the Goxhill Memorial Hall and Recreation Ground and the Goxhill Millennium Green. The Clerk has now confirmed that the Memorial Hall is owned by a registered Charity for which the council is not the sole Trustee.</p> <p>The Charity Commission's website confirms that Goxhill Memorial Hall was entered on the Register of Charities on the 24th February 2021 and the registered charity number is 1193651. It also confirms that Goxhill Millennium Green Trust was registered on the 9th August 1999 and its registered charity number is 1077394.</p> <p>The Goxhill Memorial Hall and Recreation Ground Trust Deed's principal covenants are:</p> <ul style="list-style-type: none"> ➤ Charity overview: Maintenance and running of a village hall to provide recreational and leisure time activities for the residents of Goxhill. Oversight of the use of a recreation ground by Goxhill's lawn bowling club. ➤ Who the Charity helps: Children, young people, elderly, old people with disabilities, the general public, mankind. ➤ How the Charity helps: Provides buildings, facilities, open Space. ➤ Where the charity operates: North Lincolnshire. <p>I have reviewed the council's accounts and have noted that the cost of maintaining the Millennium Green has been incurred by the council and is included in its accounting records and year-end Accounting Statement. The council correctly minuted in June 2021 that <i>"The council has agreed to spend its own funds on the maintenance and upkeep of the Millennium Green playing field for the good of the community as a whole."</i></p>
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Executive Summary

The accounts and governance arrangements and the internal financial control environment within the council is adequate and the consideration and adoption of the above recommendations will strengthen the systems, procedures and governance arrangements already in place. The audit has identified a number of clerical errors and accounting issues which, when implemented, and corrected where necessary, will provide the basis for a more robust financial control environment for the council.

The assistance of the Clerk of the council in the completion of this audit was very much appreciated.

The Internal Audit has been conducted in accordance with the Governance and Accountability for Local Councils – Practitioners Guide 2021.

I confirm that I have no relationship or interest, financial or otherwise, with any member or officer of the council.

Richard Dixon

Public Sector Audit

10th May 2022

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