

# Annual Internal Audit Report 2019/20

## KILSBY PARISH COUNCIL

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation **during** the financial year ended 31 March 2020.

The internal audit for 2019/20 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Agreed? Please choose one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	<input checked="" type="checkbox"/>		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	<input checked="" type="checkbox"/>		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	<input checked="" type="checkbox"/>		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	<input checked="" type="checkbox"/>		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	<input checked="" type="checkbox"/>		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	<input checked="" type="checkbox"/>		
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.	<input checked="" type="checkbox"/>		
H. Asset and investments registers were complete and accurate and properly maintained.	<input checked="" type="checkbox"/>		
I. Periodic and year-end bank account reconciliations were properly carried out.	<input checked="" type="checkbox"/>		
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.	<input checked="" type="checkbox"/>		
K. If the authority certified itself as exempt from a limited assurance review in 2018/19, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2018/19 AGAR tick "not covered")	N/A		
L. The authority has demonstrated that during summer 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.	<input checked="" type="checkbox"/>		
M. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	<input checked="" type="checkbox"/>	No	Not applicable

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

Name of person who carried out the internal audit

05/06/2020

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G. H. WELLS

Signature of person who carried out the internal audit

Date

05/06/2020

\*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

\*\*Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned; or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).

# Internal Audit Report

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

Name of council:	Kilsby Parish Council		
Name of Internal Auditor:	Gill Wells	Date of report:	5 <sup>th</sup> June 2020
Year ending:	31 March 2020	Date audit carried out:	5 <sup>th</sup> June 2020

*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:

It should be noted that, due to restrictions resulting from the Covid 19 constraints, the audit was carried out remotely and via conference call with your Clerk, Clare Valentine.

As part of the annual internal audit process I carried out a full examination of book keeping, due process, risk management, bank reconciliations, internal control and performed a detailed scan of the minutes and decisions taken by the Council from 1<sup>st</sup> April 2019 - 31<sup>st</sup> March 2020. I also carried out a review of the Council's website.

There are a number of issues which I respectfully bring to the Council's attention:-

1. The budget and precept. It appears that the precept has been driven solely by the anticipated expenditure and income for the following year but the calculation has not included the anticipated year end balances at the end of the financial year. Nor have reserves been identified in the budget process, either general or ear marked. Consequently, the Council is sitting on an awful lot of money with no clear plans / intentions of how this is to be spent. Whilst it is good practice to have some general reserves and acceptable to have ear marked reserves, it is not acceptable for the Council to precept for Council tax payers money and to sit on this as this could rightfully be challenged by members of the public. The Parish Council is a local authority not a business and it is important that this distinction is recognised, especially in the accounting practices and precept calculation.
2. Grants. It was noted that the Council had applied for and received or were / are in the process of receiving a number of grants – whilst some may consider this to be commendable the Council did not need the grants according to the accounts and were, perhaps, depriving other organisations / communities of receiving such funds. Indeed, the receipt of such grants should have enabled the Council to carry out other

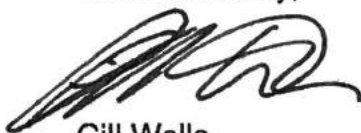
/ more projects and / or possibly, to reduce the council tax levy for the subsequent year, but this does not appear to be the case according to the records.

3. **Employment.** As part of the internal audit I am required to check that the Council is meeting its obligations with regard employment, including the issuing of a contract, HMRC payments and pension provision as well as best practices in terms of employment relations and law. A number of anomalies have arisen whilst reviewing this area including the contract stipulating that the Clerk would be joined to the Local Government Pension Scheme – it is my understanding that the Clerk is not a member of this scheme. This could constitute a breach in contract by the Employer and you may wish to seek legal advice on this matter. Moreover, I note that the Clerk's hours have increased and her remuneration has reflected the increase in contracted hours but I see no evidence of a salary review having taken place. Upon querying this I was informed that the increase in hours had been considered a salary review. The Clerk should be paid for the contracted hours worked – this does not constitute a salary review which is different to a review of hours where the Clerk is simply being paid for the hours worked.
4. **Recreation Ground.** I raised many queries / questions with regard the responsibilities and ownership of the recreation ground and understand from the detailed response from your Clerk the situation. As it is not the simplest of arrangements I would advise all Councillors to be conversive with the Financial Regulations and ensure that the Parish Council, as sole trustee for the recreation grounds, has access to the accounts and has knowledge of any grants applied for. Under section 151 of the Local Government Act 1972 the Responsible Financial Officer (RFO) is responsible for the administration of the Council's financial affairs and, as such, should be aware of grants being applied for. It is not advisable for either the RFO's or the Council's details to be used when applying for grants without their knowledge.
5. **Community Shop.** I note that the Council approved a loan to the community shop some years ago and am satisfied that this decision was taken when the Council had the General Power of Competence. The Council is, however, no longer eligible for the General Power of Competence and I would respectfully remind the Council not to undertake any new decisions with regard this project. Furthermore, if any Councillors, or their spouse have a connection with the shop, for example, as a shareholder or employee, these should be declared as stated in the Localism Act 2011 ss 26-34 and, if assumed pecuniary, should not participate in any discussions or decisions unless a dispensation is considered necessary for one or more Councillors, and has been approved. It is an offence without reasonable excuse to fail to register a disclosable interest at a meeting or within 28 days of that interest being established.

I would like to take this opportunity to thank your Clerk, Clare, for making all the information available to me in order that I could carry out a detailed review of the Council's management, governance and financial affairs. It was a pleasure to read the documents and I very much look forward to auditing Kilsby Parish Council next year and wish you and the Council well.

This report is based on the evidence made available to me either on the website or confirmed via conference call. It would be incorrect to view the internal audit report as the detailed inspection of all records and transactions of a council in order to detect error or fraud. Consequently, the report is limited to those matters set out above.

Yours sincerely,



Gill Wells

Internal Auditor to the Council

[Thewellsclan1@googlemail.com](mailto:Thewellsclan1@googlemail.com)

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The figures submitted in the Annual Governance and Accountability Return are:

	Year ending 31 March 2019	Year ending 31 March 2020
1. Balances brought forward	45556	66987
2. Annual precept	45910	46830
3. Total other receipts	10877	21690
4. Staff costs	14981	17480
5. Loan interest/capital repayments	0	0
6. Total other payments	20375	31886
7. Balances carried forward	66987	86141
8. Total cash and investments	66987	86141
9. Total fixed assets and long-term assets	75294	75002
10. Total borrowings	NIL	NIL

The proper practices referred to in Accounts and Audit Regulations are set out in *Governance and Accountability for Smaller Authorities in England (2019)*. 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.northantscalc.com/uploads/practitioners-guide-2019.pdf>