

DRAFT FOR DISCUSSION v2

Internal audit report 2020/21

Visit 1 of 1

# AFFPUDDLE & TURNERSPUDDLE PARISH COUNCIL

Date: 3<sup>rd</sup> May 2021

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## **Introduction**

This report contains a note of the audit recommendations made to Affpuddle & Turnerspuddle Parish Council following the carrying out of internal audit testing on the 27<sup>th</sup> April 2021 on site.

The audit work has been carried out in accordance with Appendix 9 of the 2014 'Governance and Accountability for Local Councils: A Practitioners' Guide', as supplemented by additional tests required by the AIAR section of the 2018/19 and 2020/21 AGAR.

An internal audit covers the review of the operation of the Council's internal control environment. It is not designed to review and give full assurance over every transaction carried out by the Council. Instead it enables the auditor, following the sample testing of a number of different types of transaction, to give an opinion as to whether or not the control objectives are being achieved across a range of financial and governance systems.

## **Audit Opinion**

The internal audit for 2020/21 has now been completed in accordance with the provisions of the Practitioners' Guide and the CIPFA code of internal audit practice.

Based on the sample testing carried out at this final audit visit and during the year, all of the Council's current financial controls reviewed during the testing appear to be operating effectively except for:

### Test N: Publication

In order to test compliance with the Council's requirement for the exercise of public rights, I checked to see that the authority complied with the publication requirements for the AGAR 2019/20. As a smaller Council, this meant the following needed to be published before 01/09/20:

- Certificate of Exemption, page 3 AGAR
- Annual Internal Audit Report 2018/19, page 4 AGAR
- Section 1 – Annual Governance Statement 2018/19, page 5 AGAR
- Section 2 – Accounting Statements 2018/19, page 6 AGAR
- Analysis of variances
- Bank reconciliation
- Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.

I confirmed that all published information was on the Council website at the audit date of 29/04/21. The Council has no website audit trail so was unable to prove that the documents were uploaded before 01/09/20, but I noted that the public rights period started on 24/08/20, which was before the deadline of 01/09/20. External audit confirmed in April 2021 that, in the absence of a website audit trail, screenshots are now considered acceptable evidence of publication dates.

As evidence indicates that the Council complied, but the Council was unable to prove compliance with a website audit trail or screenshots, I have assessed the test as 'not covered'.

## Audit Recommendations

Recommendations made during the audit are shown on in appendix one to this report.

Recommendations are graded as follows:

Rating	Significance
High	Either a critical business risk is not being adequately addressed or there is substantial non-conformity with regulations and accepted standards.
Medium	Either a key business risk is not being adequately addressed or there is a degree of non-conformity with regulations and accepted standards.
Low	Either minor non-conformity with procedure or opportunity to improve working practices further.

The number of recommendations made at this audit visit and their priority are summarised in the following table:

Rating	Number
High	3
Medium	3
Low	2
Information	1
TOTAL	9

I would like to thank Anna Bendall, Parish Clerk, for her assistance during this audit.

**Darkin Miller Chartered Accountants**  
**2020/21 INTERNAL AUDIT OF AFFPUDDLE & TURNERSPUDDLE PARISH COUNCIL**  
**DRAFT REPORT: 3<sup>rd</sup> MAY 2021**

**Appendix 1 – Recommendations and Action Plan**

<b>Recommendation number</b>	<b>Detail</b>	<b>Priority (Low/Medium/High)</b>	<b>Management Response</b>	<b>Responsible Officer</b>	<b>Due Date</b>
2.2 – Update Standing Orders on the website	<p>I checked to see that the Council has formally adopted standing orders and financial regulations. I found that both documents were updated during the financial year, but that the website had not been updated with the latest Standing Orders.</p> <p>I recommend that the latest Standing Orders is uploaded to the website.</p>	L		Agreed. Standing Orders have now been added to the website.	
3.1 – Review fidelity insurance cover	<p>I checked to see that insurance cover is adequate and appropriate. I found that fidelity guarantee cover is £25k. This appears to be too low based on the value of prior year cash per the annual return plus 50% of the current year precept (£32k), which gives approximate calculation of cash balances at their highest (and the maximum loss to the Council of any employee or member absconding with the monies held at the bank). The equivalent figure for 21/22 (based on the 20/21 bank balance and 21/22 precept) is £39k.</p> <p>I recommend that the Council increases its fidelity guarantee cover</p>	L		Agreed. Quotes have now been received for new insurance including fidelity cover up to £50k.	
3.2 – Review cover for assets not insured	<p>The Council's insurance does not currently cover some of the assets noted on the fixed asset register, namely:</p> <ul style="list-style-type: none"> <li>• 3 noticeboards</li> </ul>	M		Agreed, this will be an agenda item so that it	

	<ul style="list-style-type: none"> <li>• 1917 Original print of village stock</li> <li>• Sarcophagus</li> <li>• War Memorial</li> <li>• Millennium Stone</li> </ul> <p>I understand that the Council intends to remove two noticeboards (which will be expensive to replace at the end of their useful life, and arguably less used now many residents use the Council's website to obtain information), and that the Sarcophagus is unique and could not be replaced. The Council considered adding the war memorial to its insurance, but the premium quote for the rebuild cost was too high.</p> <p>I recommend that the Council reconsiders its decision not to insure the war memorial. If the war memorial were to be damaged, the Council could suffer reputational damage from either the decision to not replace the asset, or failure to mitigate the burden of rebuild costs.</p>			can be considered.	
5.1 – Bank statement	<p>I checked to see that all income due to the Council is collected. The Council ordinarily receives precept income, a VAT refund, rent, and bank interest. It periodically receives other grants and donations depending on activities. In 2020/21 it only received the precept, one amount of rental income, and a Covid-19 grant. The minutes note that the Council agreed to allow some tenants a one year rental holiday because of Covid-19. A VAT refund for the period from August 2019 to September 2020 was filed on 31/03/21 (so will be received in 21/22). No bank interest has been recognised</p>	H		NS&I will not correspond with the Clerk which makes this difficult. A letter was sent to NS&I signed by the Chairman on 26/04/2021 following a phone call made	

	<p>as the Clerk has been unable to obtain the NSI bank statement (issued annually in January). This means that bank interest and the balance at bank and year-end reserves are understated, albeit the fall in the bank interest rate means that the understatement is unlikely to be material.</p> <p>The lack of statement gives rise to a significant control weakness, as the bank reconciliation (a key financial control which compares what has gone through the cashbook to what has gone through the bank statements), cannot be properly completed.</p> <p>I recommend that the Clerk escalates the matter with NSI in order to obtain the January 2021 bank statement as soon as possible.</p>			by the Chairman to try to resolve the issue.	
7.1 – Expense and backpay claim	<p>I checked to see that a sample of other payments to employees were reasonable, properly supported and approved by Council. I found that the Clerk is provided with a small monthly allowance to cover the cost of home working, that mileage is reimbursed at 45p per mile, and that other expenses are paid to reimburse business expenditure. No formal expense claim was submitted during the month, but mileage of £7.83 was paid, along with other expenditure of £25.16 to reimburse stationery and zoom subscription costs. The stationery and zoom costs were fully supported by invoice. In the sample month, backpay was also paid in relation to the Clerk's April-July 2020 hours to reflect the pay award. No calculation was provided to support the</p>	M		Agreed. Process will be in place for the future.	

	<p>payslip, but the amount paid agreed to the number of hours due to be paid for those months multiplied by the increase in hourly rate per the NALC payscales.</p> <p>I recommend that a formal expense claim supported by receipts is submitted for expenses outside of the monthly allowance, with the claimant signing and dating the claim (to self-certify its accuracy and legitimacy), and that expense claims are countersigned and dated (to evidence approval). A calculation should also be attached to support any changes made to the base salary paid. This will help to reduce the risk of fraud and error.</p>				
9.1 – Obtain confirmation of closure of account	<p>During the year the Council transferred its business from Barclays to Unity Trust. Barclays has sent correspondence confirming the transfer, and I agreed the amount transferred from Barclays to Unity Trust back to the bank statements. However, Barclays does not appear to have sent a letter confirming that the bank account has been closed.</p> <p>It is important that confirmation of the closure is received, or it would be possible for the Barclays account remain active but unreported leading to possible fraud or error.</p> <p>I recommend that the Council obtains formal confirmation from Barclays that the bank account has been closed.</p>	H		Agreed. A letter will be sent to Barclays requesting confirmation of account closure.	
10.1 – Adjusted errors	<p>The following item was adjusted in the AGAR: The fixed asset register value of a memorial bench was</p>	Info			

	restated from an estimated £550 to £1 nominal in accordance with the Practitioner's Guide. This reduced the current and prior year total of fixed assets by £549.				
12.1 – Additional information required for Transparency Code disclosures	<p>I checked to see that the Council was compliant with the Smaller Council Transparency Code 2015 disclosure requirements. I found that all of the disclosure documents were in place, but that some of the documents did not contain all of the detail required by the Code.</p> <p>The Council is required to publish details of expenditure over £100, including the date, reason, net amount and non-recoverable VAT. It publishes payments lists within its minutes, but earlier in the year these noted only the total payment value. The net and VAT were noted in later minutes, and the Clerk has confirmed that this practice will continue.</p> <p>The Council is required to publish details of public land and building assets. Its fixed asset register, which includes land and building assets, is published on the website. However, the register does not include the location or present use of the land and building assets.</p> <p>I recommend that the location and present use of the land and building assets is added to the register as soon as possible, in order to ensure full compliance with the Transparency Code.</p>	M		Agreed, net and VAT are now separated out in agendas and minutes. Asset register will be updated with the required information.	



<p>14.1 – Evidencing of publication compliance</p>	<p>I checked to see that the authority complied with the publication requirements for the AGAR 2019/20. As a smaller Council, this meant the following needed to be published before 01/09/20:</p> <ul style="list-style-type: none"> <li>•Certificate of Exemption, page 3 AGAR</li> <li>•Annual Internal Audit Report 2018/19, page 4 AGAR</li> <li>•Section 1 – Annual Governance Statement 2018/19, page 5 AGAR</li> <li>•Section 2 – Accounting Statements 2018/19, page 6 AGAR</li> <li>•Analysis of variances</li> <li>•Bank reconciliation</li> <li>•Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.</li> </ul> <p>I confirmed that all published information was on the Council website at the audit date of 29/04/21. The Council has no website audit trail so was unable to prove that the documents were uploaded before 01/09/20, but I noted that the public rights period started on 24/08/20, which was before the deadline of 01/09/20.</p> <p>External audit has confirmed that, in the absence of a website audit trail, screenshots are now considered acceptable evidence of publication dates.</p> <p>I recommend that the Council takes screenshots of all required publications on the date of upload in future, in</p>	<p>H</p>		<p>Agreed, screenshots will be taken from now on.</p> <p>It would have been helpful if local authorities and internal auditors had been informed of new testing element in time to be able to take these screen shots last year. Finding out the requirements when it is months too late to do anything about it is not helpful to either the auditor or the authority.</p>	
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	order to prove compliance with the publication requirements.				
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