

# ***Guist Parish Council***

Internal Audit Report

For Guist Parish Council

Financial Year 2021/22

Including Explanatory Notes for Annual Return  
(where a 'no' has been marked)

Prepared by Catherine Moore  
12<sup>th</sup> April 2024

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I have completed an internal audit of the accounts for Guist Parish Council for the year ending 31<sup>st</sup> March 2022. My findings are detailed below using the tests provided in the Governance and Accountability (England) 2016. I would like to thank the Clerk / RFO for providing me with all the information required for the Internal Audit.

| Internal Control                                             | Test                                                                                                            | Observations / Recommendations                                      |
|--------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|
| Proper bookkeeping                                           | Is the cash book maintained and up to date?                                                                     | Yes – produced by Temporary Clerk March 2024                        |
|                                                              | Is the cash book arithmetically correct?                                                                        | Yes                                                                 |
|                                                              | Is the cash book regularly balanced?                                                                            | N/a                                                                 |
| Standing Orders, Financial Regulations, and Payment Controls | Has the Council formally adopted Standing Orders and Financial Regulations?                                     | Not evidenced although noted in September 2019 minutes – see Note 1 |
|                                                              | Date Standing Orders last reviewed                                                                              | N/a                                                                 |
|                                                              | Date Financial Regulations last reviewed                                                                        | Not evidenced - see Note 1                                          |
|                                                              | Has a Responsible Financial Officer been appointed with specific duties?                                        | Not evidenced – see Note 2                                          |
|                                                              | Have items or services above the de minimus amount been competitively purchased?                                | N/a                                                                 |
|                                                              | Are payments in the cash book supported by purchase orders, invoices, authorised and minuted?                   | Some – see Note 3                                                   |
|                                                              | Has VAT on payments been identified, recorded and reclaimed?                                                    | No – see Note 4                                                     |
|                                                              | Is S137 expenditure separately recorded and within statutory limits?                                            | No – see Note 5                                                     |
|                                                              | Have S137 payments been approved and included in the minutes as such?                                           | N/a                                                                 |
| Risk Management Arrangements                                 | Does a review of the minutes identify any unusual financial activity?                                           | No minutes presented - see observations                             |
|                                                              | Do minutes record the Council carrying out an annual risk assessment or review of their risk management scheme? | No – see Note 6                                                     |
|                                                              | Is insurance cover appropriate and adequate?                                                                    | Unknown – see Note 7 & 8                                            |

| Internal Control      | Test                                                                                                          | Observations / Recommendations |
|-----------------------|---------------------------------------------------------------------------------------------------------------|--------------------------------|
|                       | Are internal financial controls documented and regularly reviewed?                                            | Not evidenced – see Note 9     |
| Budgetary Controls    | Has the Council prepared an annual budget in support its precept and has this been minuted as being approved? | Not evidenced – see Note 10    |
|                       | Has the precept been calculated from the budget and been approved?                                            | No – see Note 10               |
|                       | Does the budget include an actual completed year?                                                             | N/a                            |
|                       | Is actual expenditure against budget regularly reported to the Council?                                       | No – see Note 10               |
|                       | Has the Council agreed a General Reserve Policy and is this figure reflected in the 'free balance'?           | No                             |
|                       | Are there any significant unexplained variances from budget?                                                  | N/a – no budget                |
| Income Controls       | Is income properly recorded and promptly banked?                                                              | Yes                            |
|                       | Does the precept recorded agree to the Council Tax authority's notification?                                  | Yes                            |
|                       | Are security controls over cash and near-cash adequate and effective?                                         | Unknown                        |
| Petty Cash Procedures | Is all petty cash spent recorded and supported by VAT invoices / receipts?                                    | N/a                            |
|                       | Is petty cash expenditure reported to each Council meeting?                                                   | N/a                            |
|                       | Is petty cash reimbursement carried out regularly?                                                            | N/a                            |
| Payroll Controls      | Do all employees have contracts of employment with clear terms and conditions?                                | Not evidenced – see Note 11    |
|                       | Do salaries paid agree with those approved by the Council?                                                    | Unknown – see Note 12          |
|                       | Is the Clerk being paid at the rate set out in the contract / as amended by Council?                          | Unknown – see Note 12          |

| Internal Control    | Test                                                                                                                     | Observations / Recommendations |
|---------------------|--------------------------------------------------------------------------------------------------------------------------|--------------------------------|
|                     | Are salaries above the National Living Wage / Minimum Wage?                                                              | Unknown – see Note 12          |
|                     | Are other payments to employees reasonable and approved by the Council?                                                  | Unknown – see Note 13          |
|                     | Have PAYE/NIC been properly operated by the Council as an employer?                                                      | No – see Note 14               |
| Asset Controls      | Does the Council maintain a register of all material assets owned or in its care?                                        | Not evidenced – see Note 15    |
|                     | Are the assets and investments registers up to date? When were these last reviewed?                                      | Unknown                        |
|                     | Does the asset insurance valuations agree with those in the asset register?                                              | Unknown                        |
| Bank Reconciliation | Is there a bank reconciliation for each account and is this reported to Council?                                         | Not evidenced – see Note 16    |
|                     | Is a bank reconciliation carried out regularly and in a timely fashion?                                                  | Unknown                        |
|                     | Are there any unexplained balancing entries in any reconciliation?                                                       | Unknown                        |
| Year-End Procedures | Are year-end accounts prepared on the correct accounting basis? (Receipts and Payments <b>or</b> Income and Expenditure) | Yes – Receipts and Payments    |
|                     | Do accounts agree with the cash book?                                                                                    | Yes                            |
|                     | Has a year-end bank reconciliation been undertaken?                                                                      | Yes                            |
|                     | Is there an audit trail from underlying financial records to the accounts?                                               | Partially                      |
|                     | Where appropriate, have debtors and creditors been properly recorded?                                                    | N/a                            |
| Procedural          | Is eligibility for the General Power of Competence properly evidenced?                                                   | N/a – not adopted              |

| Internal Control                                                  | Test                                                                                          | Observations / Recommendations                                                                         |
|-------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
|                                                                   | Have points raised on the last Internal Audit report been considered by Council and actioned? | Unknown – no audit report for 2018/19 presented, accounts not audited after that year until March 2024 |
|                                                                   | Have the decisions of the Council been made lawfully?                                         | Decline to comment                                                                                     |
|                                                                   | Has the Council embedded Data Protection into the organisation?                               | Unknown – see Note 17                                                                                  |
| Transparency:<br>For smaller councils with turnover under £25,000 | Are minutes for the whole year on the website?                                                | No – see Note 18                                                                                       |
|                                                                   | Are agendas for the whole year on the website?                                                | No – see Note 18                                                                                       |
|                                                                   | Are payments over £100 detailed on the website?                                               | No – see Note 18                                                                                       |
|                                                                   | Have electors' rights been advertised on the website?                                         | No – see Note 18                                                                                       |
|                                                                   | Are councillors' responsibilities detailed on the website?                                    | No – see Note 18                                                                                       |
|                                                                   | Is the last financial year's Annual Return on the website?                                    | No – see Note 18                                                                                       |
|                                                                   | Are the land and building asset details on the website?                                       | No – see Note 18                                                                                       |
| Councils that are Burial Authorities                              | Are fees levied in accordance with the Council's approved scale of fees and charges?          | N/a                                                                                                    |
|                                                                   | Have fees for the cemetery been reviewed and agreed by the Council?                           | N/a                                                                                                    |
|                                                                   | Were comparisons made with other cemeteries prior to setting the fees?                        | N/a                                                                                                    |
|                                                                   | Have burial books been kept up to date and are they safely stored?                            | N/a                                                                                                    |
| Councils with Allotments                                          | Has a list of allotment holders with amounts paid to Council been submitted?                  | No – see Note 19                                                                                       |
|                                                                   | Have fees for the allotments been reviewed and agreed by Council?                             | No – see Note 19                                                                                       |
| Councils with Charities                                           | Have Charities reported and accounted separately?                                             | N/a                                                                                                    |

| Internal Control | Test                                                                                                                    | Observations / Recommendations                             |
|------------------|-------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|
|                  | Have Charity accounts been independently audited?                                                                       | N/a                                                        |
|                  | Have the Charity accounts and Annual Return been filed within the legal time limit?                                     | N/a                                                        |
| Electors Rights  | Did the Council correctly advertise electors rights?                                                                    | Not evidenced – see Note 20                                |
|                  | Was the period of Electors Rights set for after the AGAR had been signed off?                                           | Not evidenced – see Note 20                                |
|                  | Did the Council correctly notify of the conclusion of audit?                                                            | N/a – exempt from external audit                           |
| Miscellaneous    | Is the Council registered with the Information Commissioners Office?                                                    | No – see Note 21                                           |
|                  | Does the Council's website meet accessibility requirements (random sample)?                                             | N/a – no website published – see Note 22                   |
|                  | Have all decisions been made legally, either at a face to face meeting or through a Scheme of Delegation where virtual? | No – no record of decision making or scheme of delegation. |

## Notes

**Note 1:** The Council is required to adopt Standing Orders and Financial Regulations, giving the framework to regulate business and the management of meetings. Template documents are available from the various subscription services supporting councils.

**Note 2:** The Council must appoint a Responsible Financial Officer. This would normally be the Clerk, and the appointment confirmed within the Contract of Employment and/or Financial Regulations.

**Note 3:** All receipts and payments should be supported by invoices / receipts for accounting and VAT purposes.

**Note 4:** There was no VAT reclaim in the accounts, it would be normal to reclaim VAT once per year or when the claim reaches over £100. I understand that the temporary Clerk is working on a VAT claim for as far back as HMRC will allow.

**Note 5:** The cashbook should include a column for Section 137 expenditure.

**Note 6:** The Council must carry out risk assessments including a general risk assessment; activity or area based risk assessments (eg play areas, allotments) and a financial risk assessment. This would be requested by the insurers should an incident take place, and would be used to assess the Council's liabilities.

**Note 7:** No insurance schedules were available for this audit year. I note that the houses are insured separately.

**Note 8:** No insurance schedules were available for this audit year. The 2019 insurance policy for the houses valued them at just short of £125,000 each. The Council should have the properties valued for insurance purposes, as any claim would be proportionally reduced by the percentage of underinsurance, in the event of a claim.

**Note 9:** The Council should carry out an annual review of the Financial Risk Assessment and Internal Controls documents, and ensure that they are working in accordance with them. Template documents are available from the various subscription services supporting councils.

**Note 10:** As there were no meetings, no budget was set and there was no legal decision making process to determine the zero precept. The precept should always be informed as the result of producing a balanced budget. There should be regular reporting of income and expenditure against budget (recommended quarterly) to ensure Councillors are aware of the Council's current financial position.

**Note 11:** All employees are required to have a Contract of Employment, which must be given to them on or before their first day of employment.

**Note 12:** No evidence supporting the Clerk's payments in the year was presented. With no payslips to review, I cannot comment further on the Clerk's salary.

**Note 13:** The Clerk was being paid a Standing Order of £127.24 per month, which was then refunded by her by BACS. This is not recorded in the minutes, and no explanation is given.

**Note 14:** The Clerk has been paid a gross amount without a deduction for PAYE. I cannot see any evidence that the Council is operating a PAYE scheme. An HMRC ruling in April 2011 stated that all Parish Clerks must be employees of the Council, and must be taxed under PAYE.

**Note 15:** The Council is required to hold an Asset Register, the value of which is reported on the Annual Return, and which also informs the insurance valuations.

**Note 16:** For good financial management the bank accounts should be reconciled periodically (minimum recommended quarterly) together with the year end bank reconciliation. There is no evidence that this was being done.

**Note 17:** The General Data Protection Regulation 2018 stated that Councils had to embed data protection into all of their processes, including policies, privacy notices, and data audits. I have not been presented with any evidence that this is the case.

**Note 18:** The Transparency Code 2015 was introduced in December 2014 and placed duties on Parish Councils with income and expenditure under £25,000 to publish information on their website. A copy of the Code detailing all of the requirements is available at <https://www.gov.uk/government/publications/transparency-code-for-smaller-authorities>.

**Note 19:** I have been advised by the Clerk that the Council does have allotments, however there is no evidence of money received for the rental of these. This should be rectified, an allotment register produced, the back rents invoiced, and regular invoicing going forward.

**Note 20:** The last set of accounts produced was 2018/19. Therefore Annual Returns after that date, together with electors rights and other statutory documents and processes, have not been published.

**Note 21:** Every Council is required to register with the Information Commissioners Office at a cost of £40 per year (reduced to £35 if paying by Direct Debit). The Register does not show Guist Parish Council as registered, and I cannot see a payment to the ICO in the accounts.

**Note 22 -** The Council is required to have a website accessible to WCAG 2.1 standards.

### **Observations**

The Council received a donation of £4,500 in April 2020 for the purchase of a SAM2 device, up to 31.03.2022 I have not seen any evidence of this being purchased.

The August 2021 meeting took place on Zoom. The temporary legislation allowing remote meetings was not renewed after May 2021 therefore any meetings on Zoom after that time cannot be considered legally convened.

The September and October 2021 bank account statements were missing from the audit.

Since September 2019 the Council only met twice (January 2021 and August 2021). There are no minutes available between September 2019 and March January 2021. Council must meet four times per year and had the ability to do so remotely until May 2021. If a meeting is not convened for six months, all councillors are disqualified.

The rents on the residential properties are significantly below market value, and therefore not reflecting best value for the parishioners of the village. While the Council is entitled to set the rent at the level it wishes, and can only raise rents by the thresholds set in legislation, the rents are not at a level sufficient to cover a major repair, or improvements set by legislation. It is not clear what checks are being carried out, such as Electrical Installation Condition Reports (5 yearly); asbestos surveys; condition surveys etc. The Council must ensure that there is an adequate regime in place to carry out all necessary checks that would be expected by the Landlords Insurance.

### **General Observation**

I note that the temporary Clerk has produced the cashbook and accounts, and that we are working nearly two years behind in producing these accounts and audit. The audit has been conducted as if we were auditing in 2022.

I note that until early 2024 the Council did not have its own website.

Signed:..... Date: .....