



## Eastfield Town Council

### Internal Audit Report [Year Ending 31 March 2022]

<b>Financial Year Ending:</b>	<b>31 March 2022</b>	<b>Date Audit Carried Out:</b>	<b>16 June 2022</b>
<b>Internal Auditor:</b>	<b>Ms Safia Kauser</b>	<b>Date Report Issued:</b>	<b>19 June 2022</b>
<b>Report Status:</b>	<b>Draft</b>		
<b>Audit Assurance Assessment Cover:</b>	The programme of cover has been designed to afford <u>reasonable assurance</u> that the Councils financial systems are operating in an effective manner and in compliance with the statutory legal framework. This audit assurance applies to each individual control area that has received a positive internal audit response.		
<b>Audit Assurance Definition:</b>	Reasonable Assurance Definition: There is generally a sound system of governance, risk management and control in place. Some issues non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.		

**This internal audit report considers the best practice and internal auditing standards referenced within the Practitioners' Guide to Governance and Accountability for Local Authorities.**

Internal audit is an on-going function, undertaken regularly throughout the financial year, to test the continuing existence and adequacy of the authority's internal controls. It results in an annual assurance report to members designed to improve effectiveness and efficiency of the activities and operating procedures under the authority's control. Managing the authority's internal controls is a day-to-day function of the authority's staff and management, and not the responsibility of internal audit.

**Internal audit does not involve the detailed inspection of all records and transactions of an authority in order to detect error or fraud.**

## Background

### 1.1 Eastfield Town Council

The Town Council is the first tier of local government. In May 2022 the town council elections took place and six councillors were elected uncontested. Three councillors have since been co-opted on the town council and there are two vacancies available (total of 11 members). The council has continued to employ a part time Clerk and Responsible Financial Officer who had commenced their new post in March 2021 until their resignation in October 2021. The role of Acting Clerk and RFO is now carried out by the Chair, Councillor Chris Parsons whilst consideration is given to the recruitment process. The precept for 2022/23 financial year has remained the same at £110,810 which was approved at the meeting held in January 2022. The council awards grants in accordance with its grant awarding scheme to support local services such as caretaker post, CAB Outreach and the Community Library.

### 1.2 Recommendations from the 2021/22 Financial Year

It is noted that the Town Council has not formally considered the recommendations made in the 2021/22 internal audit report due to the resignation of their Clerk/RFO.

### 1.3 Internal Audit

The internal audit was carried out on site at the council offices on the 16 June 2022. Due to the resignation of the Clerk/RFO, there was limited audit testing carried out due to the absence of knowledge from the Acting Clerk/RFO and documents that could not be located during the audit. We would like to thank the Acting Clerk/RFO Cllr Chris Parsons for all their help and support during the audit.

## Statement of Responsibility

### 1.4 Responsibility

The internal audit work was undertaken in accordance with the agreed scope of assignment. The council as a corporate body is responsible for ensuring that council business is conducted in accordance with the law, regulations and proper practices and that public money is safeguarded and properly accounted for. Managing the authority's internal controls is a day-to-day function of the authority's staff and management, and not the responsibility of internal audit.

**1.5** This report and findings are based on the information that was made available during the course of the audit. The matters raised in the report should not be read as a comprehensive statement of all the weaknesses identified or all improvements to be made. Internal Audit work should not be relied upon to identify all circumstances of fraud and irregularity, should there be any. Internal audit does not involve the detailed inspection of all records and transactions of an authority in order to detect error or fraud.

**1.6** The Internal audit report should inform the authority's responses to Assertions 2 and 6 in the Annual Governance Statement that forms part of the Annual Governance and Accountability Return [AGAR]. This internal audit report should therefore be made available to support and inform members considering the authority's approval of the annual governance statement.

## Internal Control Objectives and Assessment Summary of Responses

Internal Control Objectives [As set out in the AGAR Internal Audit Report]		Internal Audit Response
<b>A</b>	Appropriate accounting records have been kept properly throughout the year.	<b>Yes</b>
<b>B</b>	This smaller authority met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	<b>No</b>
<b>C</b>	This smaller authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	<b>No</b>
<b>D</b>	The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	<b>Yes</b>
<b>E</b>	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	<b>Yes</b>
<b>F</b>	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	<b>Yes</b>
<b>G</b>	Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	<b>No</b>
<b>H</b>	Asset and investments registers were complete and accurate and properly maintained.	<b>Yes</b>
<b>I</b>	Periodic and year-end bank account reconciliations were properly carried out.	<b>No</b>
<b>J</b>	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.	<b>Yes</b>
<b>K</b>	IF the authority certified itself as exempt from a limited assurance review in 2020/21, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2020/21 AGAR tick "not covered")	<b>Not Covered</b>
<b>L</b>	The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements.	<b>Not Covered</b>
<b>M</b>	The authority, during the previous year (2020/21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations ( <i>evidenced by the notice published on the website and/or authority approved minutes confirming the dates set</i> ).	<b>Yes</b>
<b>N</b>	The authority has complied with the publication requirements for 2020/21 AGAR ( <i>see AGAR Page 1 Guidance Notes</i> ).	<b>No</b>
<b>O</b>	<b>(For local councils only)</b> Trust funds (including charitable) – The council met its responsibilities as a trustee.	<b>Not Applicable</b>

## Internal Audit Findings and Recommendations

### **A** Appropriate accounting records have been kept properly throughout the year.

Internal Audit Testing	Compliance	Comments / Recommendations
Do the previous year's annual return figures agree with the current year's opening balances in the cash book?	Yes	The opening balance of £135,314 was recorded in the cashbook (spreadsheet).
Ledger maintained and up to date? Arithmetic correct?	Yes	A print out of the cashbook was reviewed. A sample of invoices were checked against the cashbook entries. No issues were identified. We noted that the cashbook did not include a column for VAT. We would recommend that a VAT column is reintroduced into the cashbook and that the cashbook entries are updated to include a breakdown of VAT. Guidance was provided to the Acting Clerk/RFO during the audit.
		<b>RECOMMENDATION 1:</b> <b>That the VAT column is reintroduced into the cashbook to record entries net of VAT and the amount of VAT to be reclaimed.</b>
<b>Internal Audit Response</b>		<b>Yes</b>

### **B** This smaller authority met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

Internal Audit Testing	Compliance	Comments / Recommendations
Has the Council adopted the Standing Orders and are these in accordance with the latest NALC model?	Yes	These were adopted at the council meeting held on the 07 September 2020 (based on the latest NALC model).
Has the Council adopted Financial Regulations and are these up to date with the latest NALC Model? And tailored to the Council?	Yes	These were adopted at the council meeting held on the 07 September 2020 (based on the latest NALC model), reviewed and re-adopted at the annual council meeting in May 2022 minute reference (13a).
Is the purchasing authority defined in Financial Regulations? Is this consistent with the Standing Orders?	Yes	The purchasing authority is defined in the Financial Regulations.
Are all payments listed in the cashbook supported by invoices, authorised and minuted? Certification of an account stamp used?	No	Certification stamp is not being used although this was recommended to be introduced in the last financial year audit. The purchasing authority and payment of goods and services was discussed with the Acting Clerk/RFO Cllr Chris Parsons and guidance was provided that evidence of payment controls should comply with the Financial Regulations and the

		<p>evidence of checks to be summarised on the face of the invoices. A sample of invoices were checked for compliance and although we noted that invoices were initialled by two signatories, there was no detailed evidence of checks for certification of payments or an adequate audit trail. We note that the schedule of payments are routinely presented to council at their monthly meetings and following a formal council resolution, payments are made to the supplier.</p> <p>A Separate list of invoices paid by direct debit was approved at the council meeting held on 24<sup>th</sup> May 2021.</p>
		<p><b>RECOMMENDATION 2:</b>  <b>A suitably designed accounts authorisation stamp should be used for all invoices, for providing evidence of checks as required by the councils Financial Regulations. An authorisation stamp could include details for:</b></p> <ul style="list-style-type: none"> <li>• Certifying Officer;</li> <li>• Authorisation reference to purchase</li> <li>• Purchase Order number;</li> <li>• System Code/Ref;</li> <li>• Date Paid</li> <li>• Payment Type (which could include details of the cheque number, direct debit arrangement or bank transfer reference)</li> </ul>
<p>Is there a segregation of duties between writing cheques and/or setting up online payments and physical release of payments?</p>	<p>Yes</p>	<p>Banking procedures for online payments have remained the same. The council no longer operates with cheques. The Chair of the council sets up the payment on online banking and this is authorised by two other signatories. All payments are made via bank transfer. The procedure for online banking was discussed with the Acting Clerk/RFO and it is recommended that this procedure is incorporated within the Financial Regulations.</p> <p><b>RECOMMENDATION 3:</b>  <b>That the procedure for making electronic payments by bank transfer is incorporated within the Financial Regulations.</b></p>
<p>Is S137 separately recorded and within limits? Is S137 expenditure of direct benefit to electorate? Is S137 expenditure minuted?</p>	<p>Yes</p>	<p>£15,000 expenditure was incurred during the year and there is a separate column in the cashbook to record S137 payments.</p>
<p>Is VAT correctly recorded in the cashbook and linked to invoices?</p>	<p>No</p>	<p>See comments on page 4 (internal control objective A) and recommendation 1.</p>

<p>VAT evidence, recording and reclaim?</p>	<p>No</p>	<p>Section 33 of the VAT Act 1994 allows local authorities such as a parish and town councils, to recover the VAT they incur in the course of performing their public duties. A year for section 33 bodies runs from 01 April to 31 March. VAT must be reclaimed on an annual basis or throughout the year depending on the arrangements agreed with HMRC.</p> <p>In our last year internal audit we noted that there was £16,905.52 of VAT recorded in the cashbook that had not been reclaimed. The VAT for the previous financial year 2019/20 had also not been reclaimed. For this current financial year audit 2021/22, no VAT reclaim had been submitted and due to no separate VAT column in the cashbook we could not summarise the total of VAT reclaim for the 2021/22 financial year. The invoices would need to be re-entered into the cashbook and the breakdown of NET and VAT to be coded accordingly where VAT has been paid.</p> <p>We discussed the VAT reclaim with the Acting Clerk/RFO who explained that as the council does not have access to the HMRC gateway password, they could not complete the VAT online. Guidance was provided to the Acting Clerk/RFO during the audit informing them that a print and post form can be used from the HMRC website to submit the claim. See links below:</p> <ul style="list-style-type: none"> <li>• <a href="https://www.gov.uk/guidance/claim-a-vat-refund-as-an-organisation-not-registered-for-vat">https://www.gov.uk/guidance/claim-a-vat-refund-as-an-organisation-not-registered-for-vat</a></li> <li>• <a href="https://www.gov.uk/guidance/claim-a-vat-refund-as-an-organisation-not-registered-for-vat">LC Forms (hmrc.gov.uk)</a></li> </ul> <p><b>RECOMMENDATION 4:</b>  <b>That the council recovers VAT for the 2019/20; 2020/21 and 2021/22 financial year. HMRC VAT guidance states that 'Claims must be made within 3 years of the end of the month in which the supply, acquisition or importation occurred. From 1 July 2018 this period is extended to 4 years'.</b></p> <p><b>RECOMMENDATION 5:</b>  <b>That the Council engages external support from YLCA or a Clerk/RFO with the requisite expertise to assist the town council to recover and reclaim VAT for the last 4 years up to 31<sup>st</sup> March 2022 and that the HMRC print and post form is used for the submission.</b></p> <p><b>*Recommendation 4 and 5 to be addressed as a high priority.</b></p>
<p><b>Internal Audit Response</b></p>		<p><b>No</b></p>

**C This smaller authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.**

Internal Audit Testing	Compliance	Comments / Recommendations
Annual risk assessment carried out?	No	<p>Although the risk assessment document was prepared by the Clerk, this had not been formally adopted by the council. The council are required to at least once annually, adopt an appropriate and comprehensive register of assessed risks, both regular and ad hoc.</p> <p><b>RECOMMENDATION 6:</b>  <b>The Council as a corporate body, at least on an annual basis, formally adopts an appropriate risk register identifying risks with appropriate control measures. Further guidance is available from page 43 of the JPAG Practitioners Guide 2022, see link: <a href="http://nalc.gov.uk">file (nalc.gov.uk)</a></b></p>
Evidence of annual insurance review?	No	<p>The council insurance was renewed with Zurich. It is recommended that insurance quotes are obtained in future as the council is not in a long term agreement with Zurich and the market should be tested to ensure the council is receiving the best value for money. Period of cover from 01<sup>st</sup> June 2021 to 31<sup>st</sup> May 2022.</p> <p><b>RECOMMENDATION 7:</b>  <b>That the council obtains quotes for the renewal of the council insurance to ensure that it is receiving best value for money.</b></p>
Insurance cover appropriate and adequate?	Yes	<p>The main insurable cover of public liability, employer's liability, officials indemnity (to cover member and officer) fidelity guarantee, personal accident and legal expenses were in place with a list of council insured assets.</p>
Internal financial control checks documented and evidenced?	No	<p>Regulation 6 of the Accounts and Audit Regulations 2015 requires the council to conduct each financial year a review of the effectiveness of the system of internal control. The review assists the council to respond to the Annual Governance Statement, Assertion two. Although planned actions were noted in the recommendation's actions plan arising from the 2019/20 internal audit, the recommendation was not addressed during the last financial year 2020/21 or for the current financial year 2021/22. This was discussed with the Acting Clerk/RFO and it was recommended that a template internal controls checklist be obtained from YLCA, tailored and adopted by the council and that consideration is given to internal control training for members which is also offered by YLCA.</p>

		<b>RECOMMENDATION 8:</b> That the council carries out a review of the effectiveness of its internal control systems to part comply with the annual governance statement, assertion two. A working group of 3 councillors could be appointed to undertake this review using a template checklist that can be obtained from YLCA. The outcome of the review and any recommendations should be formally recorded and documented in the council minutes.
Appropriate monitoring in place? (Play areas, sports pitches, open spaces)	No	The council has miscellaneous community assets for example benches, bus shelters etc. It is understood that a councillor carries out a visual health and safety inspection once every six months. It is recommended that health and safety/inspection records are retained on file and that the councils assets are physically checked at least once a year in accordance with Financial Regulation 14.6.
<b>Internal Audit Response</b>		<b>No</b>

**D The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.**

Internal Audit Testing	Compliance	Comments / Recommendations
Is there an annual budget to support precept? Has the budget been discussed and adopted by council?	Yes	<p>The budget was adopted by the council at the meeting held in January 2022. The budget document does not demonstrate how the calculations for the opening balances, projected income and expenditure, earmarked reserves and projected closing balances contributed towards the level of precept to be levied.</p> <p>The document identified a breakdown of expenditure budgets to equate to the total amount of precept to be levied.</p> <p><b>RECOMMENDATION 9:</b> That improvements are made to the budget document to demonstrate the calculations for the opening and projected closing balances, projected income and expenditure, contingencies and ear-marked reserves and how they are linked to the level of precept to be levied. Further guidance on the budgeting stages is set out on page 37 of the NALC Practitioners Guide 2022, see link: <a href="http://nalc.gov.uk">file (nalc.gov.uk)</a></p>
Is the precept demand correctly recorded in the minutes?	Yes	The precept demand was recorded as a reduction of 5.10%. It is recommended that the level of precept to be levied is recorded in the minutes. The precept has remained the same at £110,810 for the 2022/23 financial year.



<p>Level of reserves within Proper Practice? Is between 3 and 12 months running costs. Review earmarked reserves.</p>	<p>Yes</p>	<p>The earmarked reserves have been reviewed at year end. The total reserves are £156,311 including earmarked reserve of £119,311 and £37,000. The level of the general reserves was discussed with the Acting Clerk/RFO and we would recommend that the reserves are increased over the next year to ensure that a healthy balance is retained.</p> <p>The calculation of a general reserve is set out in the Practitioners Guide which states 'General Reserve — The generally accepted recommendation with regard to the appropriate minimum level of a Smaller Authority's General Reserve is that this should be maintained at between three (3) and twelve (12) months Net Revenue Expenditure (NRE). NRE (subject to any planned surplus or deficit) is effectively Precept\Levy less any Loan Repayment and/or amounts included in Precept\Levy for Capital Projects and transfers to Earmarked Reserves. The reason for the wide range (3 to 12 months) is to cater for the large variation in sizes of individual authorities. The smaller the authority the closer the figure should be to 12 months'</p>
<p>Is the budget against spend comparisons provided regularly to the Council? Is quarterly basis? Any unexpected variances?</p>	<p>No</p>	<p>The Budget monitoring was discussed with the Acting Clerk/RFO. The council does not receive any monitoring statements. The budget monitoring should be linked with the data from the cashbook to record the actual year to date income/expenditure against the agreed budget. Financial Regulation 4.8 states: <i>'The RFO shall regularly provide the council with a statement of receipts and payments to date under each head of the budgets, comparing actual expenditure to the appropriate date against that planned as shown in the budget. These statements are to be prepared at least at the end of each financial quarter and shall show explanations of material variances. For this purpose "material" shall be in excess of [£100] or [15%] of the budget'</i>.</p> <p><b>RECOMMENDATION 10:</b>  <b>That quarterly budget monitoring reports are submitted to council in accordance with Financial Regulation 4.8.</b></p>
<p><b>Internal Audit Response</b></p>		<p><b>Yes</b></p>

**E Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for**

Internal Audit Testing	Compliance	Comments / Recommendations
<p>Does the precept approved agree to the Council Tax authority's notification and has this been received and banked?</p>	<p>Yes</p>	<p>£110,810 precept for 2021/22 was received and banked in two instalments:            29.04.21 - £55,405.00            30.09.21 - £55,405.00</p>

Does the council receive any other income in addition to the precept? Is the income properly recorded and banked? Are VAT returns submitted to HMRC?	No	<p>Interest received only for £109.30</p> <p>There was an income entry for £204.42 refund received for the leasing of the photocopier. As this is not actual income and represents a refund (credit) of expenditure previously paid; recording this as income in the cashbook has resulted in an increase in the income total which is not the correct accountancy practice to record a refund.</p> <p>As discussed with the Acting Clerk/RFO, a legitimate refund can be recorded as a credit (a minus entry) in the expenditure code. It is recommended that this is rectified in the cashbook as it will impact on the year end accounting statements for the total income for the year (box 3).</p> <p><b>RECOMMENDATION 11:</b>  <b>That the income entry recorded in the cashbook for the refund of the photocopier lease is removed and that the entry be recorded as credit entry in the expenditure cashbook. This action to be addressed as a high priority and figures to be amended as required on the accounting statements as discussed with the Acting Clerk/RFO during the audit. See reference 5.45 in the Practitioners Guide 2022, see link: <a href="http://file.nalc.gov.uk">file (nalc.gov.uk)</a></b></p>
Has the council correctly invoiced for any sales and is the correct rate of VAT applied? (if applicable)	Not applicable	
<b>Internal Audit Response</b>		<b>Yes</b>

<b>F Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for</b>		
<b>Internal Audit Testing</b>	<b>Compliance</b>	<b>Comments / Recommendations</b>
Does the Council manage petty cash and is it accounted for properly and included in the AGAR figures? Is all petty cash spent recorded and supported by VAT receipts?	Yes	£40.69 – petty cash balance. Petty cash was not physically checked during the audit. We are informed that receipts and vouchers are retained.
Is petty cash expenditure reported to each council meeting?	See comments	We are informed that no petty cash has been incurred during the year.
<b>Internal Audit Response</b>		<b>Yes</b>

**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.**

Internal Audit Testing	Compliance	Comments / Recommendations
Is there a contract of employment for the Clerk/RFO and all employed staff?	No	The recommendation from the last year (2020/21) internal audit has not been addressed.
Has the Council approved the salaries paid? Do the salary records correspond with the pay points agreed by the Council?	No	As reported in the last year (2020/21) internal audit; we note that the council minutes dated 22nd February 2021 confirm the appointment of the new Clerk/RFO and commencement date but there is no record of the agreed SCP pay point/scale. Therefore we are unable to carry out any internal audit testing.
Is the Tax and NI contributions paid within the expected parameters to HMRC? Are copies of P11s available?	Yes	Payslips were made available during the audit. We were informed that the council has had issues with the HMRC PAYE software. We would recommend that once that council has employed a Clerk/RFO; that payroll be outsourced to a payroll provider which will provide comfort to the council that payroll is being administered correctly.
Are pension obligations met as part of the auto-enrolment process? Criteria £10k salary p.a.	Not applicable	Does not meet criteria. No pension contributions are paid.
<b>Internal Audit Response</b>		<b>No</b>

**H Asset and investments registers were complete and accurate and properly maintained.**

Internal Audit Testing	Compliance	Comments / Recommendations
Does the council keep a register of all material assets owned? Is asset register up to date?	Yes	Asset register was made available during the audit. The Total asset purchase value was recorded as £57,153 (no changes since the last year). Council to note that all new assets should be included in the asset register and this should be kept up to date at all times.
Does the asset register record the replacement value of individual assets for insurance purposes?	No	See recommendation.  <b>RECOMMENDATION 12:</b> <b>It is recommended that a column is inserted into the asset register to record the replacement values for each individual asset. This document can then be provided to the insurance company who will ensure that there is adequate cover in place for insured assets.</b>
Compare the Asset Register value reported in section 2, box 9 prior year reported figure, adjusted to include new assets / and/or disposals. Is there a record of disposals to record non-serviceable/disposed assets?	Yes	No changes have been to the asset register during the year (see comments above).  Any disposals from the asset register should be recorded in a disposals register. Guidance was provided to the Acting Clerk/RFO during the audit.

Does the Asset Register value correspond to box 9 of the Annual Return?	Yes	
Does the register of assets correspond to the insurance schedule to ensure that all assets are insured or self-insured by the council?	Yes	
Have the assets been inspected for risk and H&S purposes and do inspection records exist?	See comments	See comments referenced in the earlier part of the report and recommendation below.
		<b>RECOMMENDATION 13:</b> It is recommended that health and safety/inspection records are retained on file and that the councils assets are physically checked at least once a year in accordance with Financial Regulation 14.6.
<b>Internal Audit Response</b>		<b>Yes</b>

<b>I Periodic and year-end bank account reconciliations were properly carried out.</b>		
<b>Internal Audit Testing</b>	<b>Compliance</b>	<b>Comments / Recommendations</b>
Is there a bank reconciliation for each account?	No	There was one bank reconciliation carried out during the year which was completed for year-end purposes.
Reconciliation carried out on receipt of statement?	No	See comments above.
Are bank reconciliations reported to council and committee? Are these independently signed off by members and recorded in the minutes?	No	Bank reconciliations should be carried out routinely and reported to council in accordance with the Financial Regulations.
Any unexpected balancing entries in any reconciliation? Sample test one month.	No	
Bank Reconciliation to the 31 March?	Yes	The balances were reviewed against the bank statements.
<b>Internal Audit Response</b>		<b>No</b>

<b>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.</b>		
<b>Internal Audit Testing</b>	<b>Compliance</b>	<b>Comments / Recommendations</b>
Year-end accounts prepared on correct accounting basis?	Yes	The accounts have been prepared on a receipts and payments basis.

Do the Bank statements and ledger reconcile at 31 March?	Yes	<ul style="list-style-type: none"> <li>£112,796.33 as per bank statement (Money Virgin – previously Yorkshire Bank)</li> <li>£7,183.21 – Balance held at Natwest. Account due to be closed. Verified against statement balance slip.</li> </ul> <p><b>RECOMMENDATION 14:</b> That the bank reconciliation statement is completed prior to submission using the pro-forma document provided by PKF Littlejohns, see link: <a href="https://www.pkf-l.com/wp-content/uploads/2022/03/20-Bank-reconciliation-proforma.xlsx">https://www.pkf-l.com/wp-content/uploads/2022/03/20-Bank-reconciliation-proforma.xlsx</a></p>
Staff Costs [Box 4] Do payments relate to employment of staff including gross salary, employers' national insurance contributions, employers' pension contributions, gratuities for employees or former employees and severance or terminations payments to employees?	Yes	Checked against the cash-book.
Is there an underlying financial trail from records to presented accounts?	Yes	See recommendation below.  <b>RECOMMENDATION 15:</b> Box 3 figure of the AGAR Accounting statements to be amended to exclude the balance of the refund for the photocopier as it does not represent actual income prior to submission for external audit.
Is the explanation of significant variances from completed? Explanations required for variances exceeding 15%	No	This has been prepared by the Acting Clerk/RFO but was not available during the audit. It is recommended that the pro-forma document is submitted with the AGAR for external audit.
Where appropriate, debtors and creditors properly recorded?	Not applicable	
<b>Internal Audit Response</b>		<b>Yes – Subject to amendments agreed by the Acting Clerk/RFO during the visit.</b>

**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. (If the authority had a limited assurance review of its 2019/20 AGAR tick “not covered”)**

Internal Audit Testing	Compliance	Comments / Recommendations
Has the Council correctly declared itself exempt from external audit? i.e receipts and payments individually totalled less than £25k.	Not applicable	The council received an external audit (limited assurance review).
<b>Internal Audit Response</b>		<b>Not Covered</b>

**L The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements.**

Internal Audit Testing	Compliance	Comments / Recommendations
*The transparency code is not applicable to Eastfield Town Council as it does not fall within the expenditure limits that require compliance with the code.		
<b>Internal Audit Response</b>		<b>Not Covered</b>

**M** The authority, during the previous year (2020/21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).

Internal Audit Testing	Compliance	Comments / Recommendations
Do arrangements for public inspection of council's records exist? The inspection window must include a 30-working day period including the first 10 working days of July following the end of the financial year to which the accounts relate. Evidence of public inspection notice seen? And website address.	Yes	See link: <a href="https://0d123a4c-5698-45a5-81d1-16178a538f60.filesusr.com/ugd/75470f_300600ef6d994758b7bdb1d58533f065.docx?dn=16-Making-provision-for-the-exercise-of-">https://0d123a4c-5698-45a5-81d1-16178a538f60.filesusr.com/ugd/75470f_300600ef6d994758b7bdb1d58533f065.docx?dn=16-Making-provision-for-the-exercise-of-</a>
Did the council approve the relevant dates in the council minutes for the exercise of public rights?	No	It is recommended that the dates for the exercise of public rights are recorded in the council minutes.
<b>Internal Audit Response</b>		<b>Yes</b>

**N** The authority has complied with the publication requirements for 2020/21 AGAR (see AGAR Page 1 Guidance Notes).

Internal Audit Testing	Compliance	Comments / Recommendations
<b>Review evidence for publication:</b>		
<ol style="list-style-type: none"> <li>AGAR to be approved and published before 01 July 2021 at the latest or may be approved earlier, wherever possible.</li> <li>External Audit Certificate, Conclusion of Audit of Notice and Sections 1 and 2 of AGAR including any amendments as a result of the limited assurance review to be posted on the council website by 30 September 2021.</li> </ol>		
<ul style="list-style-type: none"> <li>Notice of the period of exercise rights and a declaration that the accounting statements are as yet unaudited.</li> </ul>	Yes	See link: <a href="https://0d123a4c-5698-45a5-81d1-16178a538f60.filesusr.com/ugd/75470f_300600ef6d994758b7bdb1d58533f065.docx?dn=16-Making-provision-for-the-exercise-of-">https://0d123a4c-5698-45a5-81d1-16178a538f60.filesusr.com/ugd/75470f_300600ef6d994758b7bdb1d58533f065.docx?dn=16-Making-provision-for-the-exercise-of-</a>
<ul style="list-style-type: none"> <li>Section 1 – Annual Governance Statement 2020/21 approved and signed.</li> </ul>	No	
<ul style="list-style-type: none"> <li>Section 2 – Accounting Statements 2020/21 approved and signed.</li> </ul>	No	
<ul style="list-style-type: none"> <li>Notice of conclusion of audit</li> </ul>	No	
<ul style="list-style-type: none"> <li>Section 3 – External Auditor Report and Certificate</li> </ul>	No	A physical hard copy could not be located during the audit.
<ul style="list-style-type: none"> <li>Sections 1 and 2 of AGAR including any amendments as a result of the limited assurance review</li> </ul>	No	It is noted that the council is procuring for a new website due to issues with the existing one.
<b>Internal Audit Response</b>		<b>No</b>

**o Trust funds (including charitable) – The council met its responsibilities as a trustee**

Internal Audit Testing	Compliance	Comments / Recommendations
	Internal Audit Response	Not applicable

## Other Matters

### 1. Approving the AGAR

It is noted that the AGAR (sections 1 and 2) were approved by full council prior to the completion of the internal audit. As discussed with the Acting Clerk/RFO, the internal audit is carried out first, the internal audit report should then be made available to members as it will assist the council with the responses to boxes 2 and 6 of the Annual Governance Statement. Reference to each approval stage of the AGAR is set out on page 75 of the Governance and Accountability Practitioners Guide 2022 which incorporates a step by step flowchart, see link: [file \(nalc.gov.uk\)](file:nalc.gov.uk)

### 2. Financial Services Compensation Scheme (FSCS)

The Acting Clerk/RFO informed us during the audit that the council may consider a review of the bank accounts having regards to the Financial Services Compensation Scheme ('FSCS'). The FSCS exists to give some protection for deposits with a bank or building society that fails. 'Eligible' depositors can normally recover their deposit from the FSCS, up to a limit of £75,000 deposited (whether in a single account or multiple accounts) with any single bank or building society. It is understood that as from 3 July 2015 'small local authorities' are eligible depositors. A small local authority is a local authority, including a parish, town or community council, with 'a budget of up to 500,000 Euros'. This phrase is not defined or explained in the Scheme Rules. The council had indicated that the FSA scheme covers up to £85,000.

Although internal audit cannot provide advice on this matter, we would recommend that advice is obtained from the bank to confirm eligibility of the FSCS Scheme and that appropriate safeguards and controls are considered prior to any changes.

## AGAR Internal Audit Report 2020/21

- The internal audit AGAR report has been signed off. The responses as set out in the summary (page 3) have been carried across to the AGAR form. The negatives responses are supported by the findings contained in this report.

## Recommendations Action Plan (Attached)

Recommendations Action Plan: Internal Audit Report 2021/22

No	Recommendation	Responsibility	Timescale
1	That the VAT column is reintroduced into the cashbook to record entries net of VAT and the amount of VAT to be reclaimed.		
2	<p>A suitably designed accounts authorisation stamp should be used for all invoices, for providing evidence of checks as required by the councils Financial Regulations. An authorisation stamp could include details for:</p> <ul style="list-style-type: none"> <li>• Certifying Officer;</li> <li>• Authorisation reference to purchase</li> <li>• Purchase Order number;</li> <li>• System Code/Ref;</li> <li>• Date Paid</li> <li>• Payment Type (which could include details of the cheque number, direct debit arrangement or bank transfer reference)</li> </ul>		
3	That the procedure for making electronic payments by bank transfer is incorporated within the Financial Regulations.		
4	That the council recovers VAT for the 2019/20; 2020/21 and 2021/22 financial year. HMRC VAT guidance states that 'Claims must be made within 3 years of the end of the month in which the supply, acquisition or importation occurred. From 1 July 2018 this period is extended to 4 years'.		
5	<p>RECOMMENDATION 5:                      That the Council engages external support from YLCA or a Clerk/RFO with the requisite expertise to assist the town council to recover and reclaim VAT for the last 4 years up to 31<sup>st</sup> March 2022 and that the HMRC print and post form is used for the submission.</p> <p><i>*Recommendation 4 and 5 to be addressed as a high priority.</i></p>		



No	Recommendation	Responsibility	Timescale
6	The Council as a corporate body, at least on an annual basis, formally adopts an appropriate risk register identifying risks with appropriate control measures. Further guidance is available from page 43 of the JPAG Practitioners Guide 2022, see link: <a href="http://file.nalc.gov.uk">file (nalc.gov.uk)</a>		
7	That the council obtains quotes for the renewal of the council insurance to ensure that it is receiving best value for money.		
8	That the council carries out a review of the effectiveness of its internal control systems to part comply with the annual governance statement, assertion two. A working group of 3 councillors could be appointed to undertake this review using a template checklist that can be obtained from YLCA. The outcome of the review and any recommendations should be formally recorded and documented in the council minutes.		
9	That improvements are made to the budget document to demonstrate the calculations for the opening and projected closing balances, projected income and expenditure, contingencies and ear-marked reserves and how they are linked to the level of precept to be levied. Further guidance on the budgeting stages is set out on page 37 of the NALC Practitioners Guide 2022, see link: <a href="http://file.nalc.gov.uk">file (nalc.gov.uk)</a>		
10	That quarterly budget monitoring reports are submitted to council in accordance with Financial Regulation 4.8.		
11	That the income entry recorded in the cashbook for the refund of the photocopier lease is removed and that the entry be recorded as credit entry in the expenditure cashbook. This action to be addressed as a high priority and figures to be amended as required on the accounting statements as discussed with the Acting Clerk/RFO during the audit. See reference 5.45 in the Practitioners Guide 2022, see link: <a href="http://file.nalc.gov.uk">file (nalc.gov.uk)</a>		
12	It is recommended that a column is inserted into the asset register to record the replacement values for each individual asset. This document can then be provided to the insurance company who will ensure that there is adequate cover in place for insured assets.		

No	Recommendation	Responsibility	Timescale
13	It is recommended that health and safety/inspection records are retained on file and that the councils assets are physically checked at least once a year in accordance with Financial Regulation 14.6.		
14	That the bank reconciliation statement is completed prior to submission using the pro-forma document provided by PKF Littlejohns, see link: <a href="https://www.pkf-l.com/wp-content/uploads/2022/03/20-Bank-reconciliation-proforma.xlsx">https://www.pkf-l.com/wp-content/uploads/2022/03/20-Bank-reconciliation-proforma.xlsx</a>		
15	Box 3 figure of the AGAR Accounting statements to be amended to exclude the balance of the refund for the photocopier as it does not represent actual income prior to submission for external audit.		