



FINAL

Internal audit report 2020/21

Visit 1 of 1

# CHILD OKEFORD PARISH COUNCIL

Date: 28<sup>th</sup> June 2021

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## **Introduction**

This report contains a note of the audit recommendations made to Child Okeford Parish Council following the carrying out of internal audit testing on 23<sup>rd</sup> June 2021.

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 amended by the requirements of the AIAR section of the AGAR 2018/19 and 2020/21.

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.

Many of the Council's current financial controls are operating effectively. However, following the completion of the testing to date I consider that there is one areas of weakness which are sufficiently material to warrant a "no" answer in the Annual Audit Report section on the Annual Return. The report is therefore satisfactory with the exception of the following items:

### Test C – Risk Management

I checked to see that the Council minutes record the Council carrying out an annual risk assessment. The minutes record the consideration of the financial risk assessment in July 2020, but the Clerk noted that the review and approval of the full risk assessment was omitted in error due to lockdown disruption and the transition between Clerks. The Accounts and Audit Regulations 2015 require that the Council must review the risk assessment each year, and that the findings of the review must be considered by members of the authority meeting as a whole. As this was not done, I have assessed this test as a 'fail'.

### Test G – Payroll

I checked to see that PAYE/NIC had been properly operated by the Council as an employer. I found that the Council has a PAYE scheme, and that the Clerk uses HMRC payroll tools to run the payroll and file the required reports. However, I noted that during the year the Council engaged an interim Clerk who was paid on a monthly timesheet, but whose pay was not processed through the payroll. The Clerk confirmed that the employment status of the interim Clerk had not been checked to ensure that the terms and conditions were such that the worker would have been classified by HMRC as a self-employed contractor rather than as an employee. The Council as employer is required to make that assessment, and will be liable for the PAYE/NI due in relation to the worker if they incorrectly assess someone as self-employed when they are an employee. As the Council did not make the appropriate assessment of its worker, and may have failed to properly account for PAYE/NI, I have assessed this test as a 'fail'.

### Test L – Transparency

I checked to see that the Council was compliant with the Smaller Council Transparency Code 2015 disclosure requirements. I found that some of the disclosure requirements were in place, but that a number of disclosures appeared to be missing at the internal audit date.

The Council is required to publish:

- The bank reconciliation and explanation of variances over 10-15% year on year in relation to the previous year's accounts.
- Details of how weaknesses will be addressed for any 'no' answers contained in the Annual Governance Statement or Annual Internal Audit Report.
- Details of public land and building assets

These were not on the website when I checked it on 24/06/21. As a number of the required documents were not published at the date of the audit, so I have assessed this test as a 'fail'.

### Test M - Public rights

I checked to see that, during the summer of 2020, the authority correctly provided the proper opportunity for the exercise of public rights as per the Accounts and Audit Regulations 2015. I found that the Council's website contained a link to the 'Conclusion of audit and public access 2020', which brought up a notice that the audit for 31/03/20 was completed on 09/7/20, and that the accounts will be made available during the period 20/07/20 to 28/08/20. Whilst the period runs for 30 working days, the form of the notice used was incorrect: the Council is exempt from external audit, so cannot claim that the audit has been concluded. The correct form was available on the external auditor's website, and contains a note of their contact details in the event that electors need to contact the appointed auditor. I have, therefore, assessed the test as a 'fail'.

### Test N – Publication

I checked to see that the authority complied with the publication requirements for the AGAR 2019/20. Before 01/09/20, the Council was required to publish:

- Certificate of Exemption 2019/20, page 3
- Annual Internal Audit Report 2019/20, page 4
- Section 1 – Annual Governance Statement 2019/20, page 5
- Section 2 – Accounting Statements 2019/20, page 6
- 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.

The requirement for internal audit to check the publication was not notified to internal auditors until the end of March 2021. The Council has no website audit trail, so I was unable to confirm that the required information had been published before the due date. At the date of the 20/21 internal audit, 24/06/21, I was able to confirm that the first 4 items on the list were published on the website, but that the latter three were not.

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 did not comply with the publication requirements, I have assessed the test as 'fail'.

## Audit Recommendations

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

Recommendations are graded as follows:

<b>Rating</b>	<b>Significance</b>
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:

<b>Rating</b>	<b>Number</b>
High	6
Medium	4
Low	5
Information	1
TOTAL	16

I would like to thank Philippa Tandoh, Parish Clerk, for her assistance during this audit.

**Darkin Miller Chartered Accountants**  
**2020/21 INTERNAL AUDIT OF CHILD OKEFORD PARISH COUNCIL**  
**FINAL REPORT: 28<sup>th</sup> JUNE 2021**

**Appendix 1 – Recommendations and Action Plan**

Recommendation number	Detail	Priority (Low/ Medium/ High)	Management Response	Responsible Officer	Due Date
2.1 – Appointment of RFO and update Clerk contract	<p>I checked to see that a Responsible Finance Officer had been appointed with specific duties. I found that the new Clerk’s contract does not refer to her also being the RFO and that, unlike on the appointment of the outgoing Clerk, the related minute from the meeting of 11/05/20 only resolves to approve the appointment of the Clerk (who is not mentioned by name) and to increase the contracted hours by 2 per month in order to cover the business of the Trust.</p> <p>All Councils are required to appoint an officer who is responsible for the administration of its financial affairs under s.151 of the Local Government Act 1972, and to set out the duties of that officer.</p> <p>I recommend that the Council formally minutes that the Clerk is the RFO, and that the Clerk’s contract of employment is updated to include the revised hours, her role as RFO, and a list of specific duties that go with that role.</p>	H	This will be added to the Agenda of the next meeting for approval and the Clerk’s contract updated.	Clerk	<b>31/07/2021</b>
2.2 – Authorisation of invoices	I checked to see that a sample of payments in the cashbook were supported by invoices, authorised and minuted. I found that none of the samples were authorised (initialled by the Clerk to confirm that the	M	To be implemented with immediate effect.	Clerk	<b>With immediate effect</b>

	<p>invoice had been checked, and that goods/services had been satisfactorily received). This recommendation was also made in 2019/20.</p> <p>I recommend that invoices are initialled in order to evidence that they have been checked and cleared for payment. This will improve the audit trail.</p>				
2.4 – Amend cashbook VAT analysis	<p>I checked to see that VAT on payments had been identified, recorded and reclaimed. I found two small VAT errors on the cashbook (VAT had been identified for an invoice where no VAT was charged, and VAT on another invoice was understated by £10), but noted that the errors were not carried through to the VAT return for 20/21, which agreed to the corrected cashbook.</p> <p>I recommend that the 20/21 cashbook is retrospectively adjusted, and that only VAT per VAT invoices or simple receipts are recorded in the VAT analysis on the cashbook in future.</p>	L	This was an oversight, more care to be taken in the future	Clerk	With immediate effect
3.1 – Review and approve Risk Assessment	<p>I checked to see that the Council minutes record the Council carrying out an annual risk assessment. The minutes record the consideration of the financial risk assessment in July 2020, but the Clerk noted that the review and approval of the full risk assessment was omitted in error due to lockdown disruption and the transition between Clerks.</p> <p>The Accounts and Audit Regulations 2015 require that the Council must review the risk assessment each</p>	H	<p>This was an oversight due to COVID-19 disruption to meetings and the transition between Clerks.</p> <p>A Risk Assessment is to be reviewed at the next meeting.</p>	Clerk	<b>30/09/2021</b>

	<p>year, and that the findings of the review must be considered by members of the authority meeting as a whole.</p> <p>I recommend that the risk assessment is formally reviewed and adopted by the Council as soon as possible, with its revision built into the annual Council meeting cycle.</p>				
3.2 – Confirm approvals and correct dates in minutes	<p>I reviewed the minutes to confirm that there was no unusual financial activity. I found no such activity, but noted that a number of minutes note the discussion but not decision on matters considered by the Council. I have provided the Clerk with a list of these for reference.</p> <p>Minutes 20/12c (11/05/20) and 20/21b (06/07/20) refer in error to the 2019 year (it should be 2020).</p> <p>I recommend that the Council reviews the list of matters where approval was not minuted, and confirms en bloc that each action or set of minutes was approved; and that the year is corrected in minutes 20/12c and 20/21b.</p>	L	Clerk's lack of experience, more care to be taken in the future to minute approvals, The list of approvals is added to the Agenda for the next meeting.	Clerk	<b>31/07/2021</b>
4.1 – Specify precept demanded	<p>I checked to see that the Council had prepared an annual budget in support of its 21/22 precept. I found that the budget was prepared showing a precept of £21,625 (which was the amount demanded in 21/22), but that minute 20/54c of the meeting of 07/12/20 which approved the budget did not specify the level of precept approved. I did, however, note that a copy of</p>	M	Clerk's lack of experience. The level of Precept agreed is to be recorded at the next meeting.	Clerk	<b>31/07/2021</b>

	<p>the budget which showed the precept figure had been included as part of the minutes.</p> <p>I recommend that the level of precept agreed at the meeting of 07/12/20 is formally recorded at the next Council meeting, and that the amount precepted is noted in the budget approval minute in future, in order to ensure that there is clarity over the level of funds being raised from taxpayers.</p>				
7.1 – Check Clerk hourly rate	<p>I checked to see that salaries agreed with those approved by Council. I found that the Clerk was appointed to a single salary point, but that the hourly rate quoted was the 19/20 one (NALC advised of the 20/21 rates late in the year). The contract dated 01/08/20 notes that the Clerk is to work 37 hours per month, but the Council agreed at its meeting in May 2020 that the Clerk would work 2 additional hours per month to cover work related to the Trust.</p> <p>The Clerk confirmed that the 20/21 pay scale was presented to the Council at its meeting on 02/11/20, after which the Employment Committee were due to investigate, but that nothing has happened since.</p> <p>I recommend that the Council reviews the hourly rate paid to the Clerk and makes any necessary adjustments to current and/or back pay, to ensure that the Clerk is being paid the correct rate.</p>	M	The Employment Committee to review at the September meeting.	Clerk	<b>30/09/2021</b>

7.2 – Specify monthly allowance level	<p>I checked to see that other payments to employees were reasonable, properly supported and approved by the Council. In the sample month, other payments consisted of a home office and broadband allowance totalling £12.30; printer ink; and a Zoom meeting subscription. Receipts were provided for the ink and subscription.</p> <p>The contract notes that other expenses will be paid where receipted and approved, and that expenses may also cover broadband and home office allowances. The contract does not specify the level of the allowance, but the amount provided is consistent with that given to the previous Clerk. It is also under the £26/month threshold set by HMRC (under which no evidence of extra costs need be retained).</p> <p>I recommend that the amount in relation to home office and broadband allowances is agreed by Council, either by way of a minute, or by amendment to the Clerk's contract, in order to improve the audit trail.</p>	L	Clerk's home working allowance is to be reviewed at the next meeting and Clerk's contract updated.	Clerk	<b>31/07/2021</b>
7.3 – Review VAT guidance to ensure all input VAT reclaimed where possible	<p>I found that a debit card receipt was provided in relation to the printer ink and stationery. Ink and stationery bear standard rated VAT, meaning that £8.95 of input VAT was incurred, but no VAT was identified or reclaimed in relation to this expenditure.</p> <p>I recommend that the Clerk check the guidance on the HMRC website in order to ensure that VAT is</p>	L	Clerk's oversight. More care to be taken in the future.	Clerk	With immediate effect.

	reclaimed where possible: <a href="https://www.gov.uk/vat-record-keeping/vat-invoices">https://www.gov.uk/vat-record-keeping/vat-invoices</a>				
7.4 – Expense claims	<p>I further recommend that expenses are reclaimed via an expense claim, which sets out the date, description and amount being reclaimed, and contains space for the claimant to sign (and date) to self-certify that the expenses were genuine and incurred in relation to Council business. Receipts should be attached to the expense claim, and the claim should be signed and dated by the employee’s line manager to evidence that the claim has been checked and approved.</p> <p>This will help to improve the audit trail.</p>	M	This will be implemented with immediate effect.	Clerk	With immediate effect.
7.5 – Check employment status of worker	<p>I checked to see that PAYE/NIC had been properly operated by the Council as an employer. I found that the Council has a PAYE scheme, and that the Clerk uses HMRC payroll tools to run the payroll and file the required reports. However, I noted that during the year the Council engaged an interim Clerk who was paid on a monthly timesheet, but whose pay was not processed through the payroll. The Clerk confirmed that the employment status of the interim Clerk had not been checked to ensure that the terms and conditions were such that the worker would have been classified by HMRC as a self-employed contractor rather than as an employee. The Council as employer is required to make that assessment, and will be liable for the PAYE/NI due in relation to the worker if they incorrectly assess someone as self-employed when they are an employee.</p>	H	Any future workers to be assessed using HMRC Payroll.	Clerk	With immediate effect.

	<p>I recommend that the Council retrospectively checks the employment status of the worker in order to ensure that they were correctly processed as a self-employed contractor; and that any future engagements of this nature are assessed prior to the worker being paid, in order to ensure that the Council correctly operates its PAYE scheme.</p> <p><a href="https://www.gov.uk/guidance/check-employment-status-for-tax">https://www.gov.uk/guidance/check-employment-status-for-tax</a></p>				
8.1 – Clarify which assets on the Asset Register belong to the Council	<p>I checked to see that the asset register is up to date. I noted that the additional text on the register relating to the Trust assets (Parish Council is the Trustee but these Assets belong to the QE11 Playing Fields Charity) was not included on the draft register for the 20/21 year.</p> <p>I recommend that the text or similar is included in order to differentiate between assets owned and managed by the Council, and those in which it may have an insuring or maintaining interest. This will help users of the accounts to understand the extent of the Council’s responsibilities.</p>	L	Asset register to be reviewed and approved at the next meeting.	Clerk	31/07/2021
10.1 – Adjusted errors	<p>The following adjustments were made to the draft AGAR:</p> <ol style="list-style-type: none"> <li>£50 of travel costs was moved from staff costs to other payments for 19/20, in line with the requirements of the Practitioner’s Guide</li> </ol>	Info			

	<p>2. Cash for 19/20 was increased by £1 to agree with the approved 19/20 return</p> <p>3. Brought forward reserves for 20/21 was increased by £1 to agree with the 19/20 carry forward reserves</p> <p>4. £933 of non-staff costs were transferred from staff costs to other payments, in line with the requirements of the Practitioner's Guide</p>				
12.1 – Comply with Transparency Code 2015	<p>I checked to see that the Council was compliant with the Smaller Council Transparency Code 2015 disclosure requirements. I found that some of the disclosure requirements were in place, but that a number of disclosures appeared to be missing at the internal audit date.</p> <p>The Council is required to publish the bank reconciliation and explanation of variances over 10-15% year on year in relation to the previous year's accounts. These were not on the website when I checked it on 24/06/21.</p> <p>The Council is required to publish details of how weaknesses will be addressed for any 'no' answers contained in the Annual Governance Statement or Annual Internal Audit Report. No details were published.</p> <p>The Council is required to publish details of public land and building assets. I could not find details of the Council's assets on the website.</p>	H	Missing information will be added to the website as soon as possible.	Clerk	31/07/2021

	I recommend that the missing information is added to the website as soon as possible, in order to ensure full compliance with the Transparency Code.				
13.1 – Use correct form to advertise public rights	<p>I checked to see that, during the summer of 2020, the authority correctly provided the proper opportunity for the exercise of public rights as per the Accounts and Audit Regulations 2015. I found that the Council's website contained a link to the 'Conclusion of audit and public access 2020', which brought up a notice that the audit for 31/03/20 was completed on 09/7/20, and that the accounts will be made available during the period 20/07/20 to 28/08/20. Whilst the period runs for 30 working days, the form of the notice used was incorrect: the Council is exempt from external audit, so cannot claim that the audit has been concluded. The correct form was available on the external auditor's website, and contains a note of their contact details in the event that electors need to contact the appointed auditor.</p> <p>I recommend that the Council ensures that the correct public rights form (for exempt authorities) is used to advertise the public rights period in 2021.</p>	H	The correct form will be used in the future.	Clerk	31/03/2021
14.1 – Comply with publication requirements	<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 at least one day before the start of its public rights period, and before 01/09/20:</p> <ul style="list-style-type: none"> <li>•Certificate of Exemption 2019/20, page 3 AGAR</li> </ul>	H	All required information to be published and screenshots taken.	Clerk	31/03/2021

	<ul style="list-style-type: none"> <li>•Annual Internal Audit Report 2019/20, page 4 AGAR</li> <li>•Section 1 – Annual Governance Statement 2019/20, page 5 AGAR</li> <li>•Section 2 – Accounting Statements 2019/20, 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>The Council has no website audit trail, so I was unable to confirm that the required information had been published before the due date. At the date of the 20/21 internal audit, 24/06/21, I was able to confirm that the first 4 items on the list were published on the website, but that the latter three were not.</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 ensures that all required information is published in future, and that screenshots are taken to evidence the date of upload and (if appropriate) the date of removal.</p>				
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