

# *Public Sector Audit*

## **Goxhill Parish Council**

***Internal Audit Report for the year ended 31 March 2018***

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#### Introduction

Part 2, paragraph 5 (1) of the Accounts and Audit Regulations 2015 imposes a duty on Local Councils to “undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

Internal audit is a key component of the system of internal control. The purpose of internal audit is to review whether the systems of financial and other controls over a council's activities and operating procedures are effective.

Following the resignation of the Clerk in January 2018 the council requested that a Full Compliance Audit be undertaken of the council's accounting records and governance procedures in respect of the financial year ended 31 March 2018. I have acted independently and carried out an assessment of compliance with relevant procedures and controls expected to be in place during the financial year.

On the basis of the findings in the areas examined, the internal audit conclusions and recommendations have been recorded in the table below. Owing to the unusual situation the council finds itself in, I have provided sufficient detail in the report to enable council members to gain a fuller understanding of what has occurred during the year.

### Prioritisation of recommendations

In accordance with good internal audit reporting practice and the Governance and Accountability for Local Councils Practitioners Guide, the recommendations contained in this report have been prioritised. The following 'traffic light' system for the prioritisation of recommendations has been adopted:

- Significant weakness in internal control requiring urgent attention.
- Moderate weakness in internal control requiring attention within the current year.
- Minor weakness in internal control, or matters of good practice the council may wish to consider, to be addressed within the current year.

#### Distribution List

Chairman of the Council

All members of the Council

Clerk to the Council

The findings of the audit are summarised below

	Test	Findings and Recommendations
1	Appropriate books of account have been properly maintained throughout the year.	<p><u>Appropriate accounting records</u></p> <p><b>Findings</b></p> <p>Owing to the resignation of the council's Clerk and the unavailability of financial records for the year, the council appointed an experienced Town Clerk to reconstruct a cash book from bank statements and available documentation. The cashbook is in the form of spread sheets which identify both receipts and payments during the year. It is noted, however, that petty disbursements made by the Clerk have been included in the salaries column of the cash book and hence included in box 4, staff costs, on the Annual Governance and Accountability Return (AGAR). The guidance notes for the completion of the AGAR identify that such expenditure should be included in box 6, all other payments, on the Return.</p> <p>The cash book has been analysed as well as possible from the invoices, vouchers, receipts and remittance advices that could be found and has been balanced to the bank statements to provide a reconciled cash book for the year.</p> <p>There is sufficient analysis of receipts and payments to provide the information required for the completion of the statutory AGAR.</p> <p>It is noted that the Council is the sole Trustee for both the "Goxhill Memorial Hall and Recreation Ground" and the "Goxhill Millennium Green." In accordance with the NALC/SLCC 2018 Governance and Accountability Guide for Local Councils and the Guidance note to section 2, Accounting Statements, on the AGAR the financial transactions of a Trust must not form part of the council's accounts. In order to achieve this statutory requirement, the council must maintain separate cash books for the Parish Council, the Memorial Hall Trust and the Millennium Green Trust. It is noted that the council's previous Clerk declared on the 2012/13, 2013/14 and 2014/15 statutory Annual Return that the council did not act as a trustee and was not responsible for managing Trust Funds or assets. It was declared on the 2015/16 and 2016/17 Annual Returns, however, that the council were responsible for managing Trust Funds and assets.</p>

		<p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>● Sundry expenditure incurred by the Clerk should be separately identified in the cash book and included in box 6 on the AGAR.</li> <li>● Separate cash books must be maintained for the current and future years for the Parish Council, the Memorial Hall and Recreation Ground Trust and the Millennium Trust.</li> </ul>
2	<p>The council's Financial Regulations and Standing Orders have been formally adopted and complied with.</p>	<p><u>Adherence to Financial Regulations and Standing Orders</u></p> <p><b>Findings</b></p> <p>The council's Standing Orders were reviewed and approved without amendment at the council meeting held on the 1st June 2017.</p> <p>During 2018 NALC revised its Model Standing Orders to acknowledge new legislation and, particularly, the council's responsibilities under new Data Protection legislation. A copy of the revised model was presented to council by the Locum Clerk on the 7th June 2018. It was agreed to review the revised model at a future meeting when the members had had the time to read all of the documentation.</p> <p>I have not been provided with a copy of Financial Regulations for the council and the Chairman has confirmed that, to his knowledge, the council does not have these. I have, however, identified a copy of Financial Regulations on the council's computer. It is dated June 2016 with a revision date of May 2017. It is noted that this is an old version of Financial Regulations which requires updating to take account of changes in council's contracting arrangements for the supply of goods and services (The Public Contracts Regulations 2015).</p> <p>NALC revised its Model Financial Regulations in 2016 to reflect legislative changes in the contracting arrangements for the supply of goods and services. The Locum Clerk also presented the latest Model to council on the 7th June 2018 and these were held over for discussion at a future meeting.</p> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>● The council should update its Standing Orders to the revised 2018 NALC Model, to reflect new legislation, as soon as possible.</li> <li>● The council should adopt the 2016 revised NALC Model Financial Regulations which have been amended to</li> </ul>

		reflect changes in the contracting arrangements for the supply of goods and services.
3	<p>Payment controls were effective and VAT was properly accounted for.</p> <p>The council has recorded s137 expenditure separately and it is within the statutory limit.</p>	<p><u>Adequate payment controls</u></p> <p><b>Findings</b></p> <p>I have tested all payments during the year for appropriateness of expenditure and agreement with the cash book and bank statements. I am also required to verify that all council payments have been submitted to council for formal review and approval. The minutes record that the accounts for each month be "proposed, seconded and resolved". I have not, therefore, been able to confirm that all council payments have been formally reviewed and approved.</p> <p>I have tested and confirmed that all VAT has been correctly recorded in the reconstructed cash book. It was noted that, on many occasions, only either statements or the first page of utility invoices have been found, which are not valid VAT invoices for HMRC purposes. On other occasions invoices have not been found at all.</p> <p>I have reviewed all invoices for completeness, accuracy, correct year of account and classification/analysis in the cash book.</p> <p>It was noted that the all payments made by the council during the year have been included in the Parish Council's cash book. Many payments, however, relate to payments on behalf of the Trusts managed by the council. Such payments include Memorial Hall cleaning and maintenance, insurance, administration and repairs and Millennium Green grass cutting and repairs. As identified in 1 above, Trust Fund expenditure cannot be included in the Parish Council's cash book and must not form part of the council's accounts. The council has statutory powers available to it to provide funds to the Trusts for the good of the community (such as s.133 of the Local Government Act 1972 for the provision of Village Halls and community buildings). Such payments, or grants, should be recorded in the council's cash book and recorded as income in the Trust Fund's cash books. All Trust Fund payments must then be made from the appropriate Trust Funds cash books and bank accounts (see 10 below).</p> <p>A separate account has correctly been included in the cash book for s.137 (Local Government Act 1972) expenditure and the total expenditure coded to this statutory power of £450 is appropriate expenditure for s.137 and is well within the statutory limit.</p>

Very few payments have been made by cheque during the year. I have checked that the principal of the two signature rule has been complied with, by two signatories initialling the cheque stubs, and found that on two occasions only one signatory has done so. The majority of council payments are made by bank transfer and I am not aware of how the two signature rule has been applied to such payments.

**Recommendations**

- Either a schedule of payments should be prepared and signed as authorised by the Chairman each month or the actual payments, excluding details of salary payments, should be included in the minutes as evidence that all expenditure has been approved by council.
- Valid VAT invoices must be obtained to enable the council to reclaim VAT from HMRC.
- An invoice, addressed to the council, dated and complete should be obtained and retained in support of all council expenditure.
- Only Parish Council expenditure can be included in the Parish Council's cash book and the statutory Accounting Statement on the Annual Governance and Accountability Return. All Trust Fund expenditure must be recorded in the appropriate Trust Fund cash books and included on the statutory returns to the Charity Commission.
- The documentation in support of competitive tendering or quotations should be submitted to audit for review and verification.
- The principle that at least two people must be involved with all payments, whether by cheque or electronic payment methods, must be maintained and evidenced. Appropriate evidence should be provided to audit for verification purposes.
- As the council holds or uses personal information about the public, employees or other people, it is legally obliged to protect that information. The General Data Protection Regulation 2018 requires every organisation that is processing personal information to register with the Information Commissioners Office (ICO), unless they are exempt in respect of crime and taxation purposes. The council must, therefore, register with the ICO and pay the standard registration fee of £35.00 per annum.

		<ul style="list-style-type: none"> <li>● It should never be assumed that registration for VAT purposes means that <i>all</i> value added tax can be recovered. Owing to the complexity of VAT legislation, it is recommended that advice be sought from HMRC when any new projects are undertaken, significant capital expenditure is being considered or any new matters arise.</li> </ul>
4	<p>The council has assessed the significant risks in delivering its activities and services and has regularly reviewed the adequacy of these assessments.</p> <p>Insurance cover is appropriate and adequate.</p> <p>Financial controls are documented and regularly reviewed.</p>	<p><u>Assessment of significant risks</u></p> <p><b>Findings</b></p> <p>The Chairman has confirmed that the council did not have formal Risk Assessments in place during 2017/18.</p> <p>Members are ultimately responsible for risk management because risks threaten the achievement of policy objectives and there is the possibility of injury and litigation against the council.</p> <p>As a minimum, at least once each year members should:</p> <ul style="list-style-type: none"> <li>● take steps to identify and update the record of key risks facing the council;</li> <li>● evaluate the potential consequences to the council if an event identified as a risk takes place;</li> <li>● decide upon appropriate measures to avoid, reduce or control the risk or its consequences; and</li> <li>● record any conclusions or decisions reached.</li> </ul> <p>In addition to these measures, detailed inspection sheets should be introduced to record routine inspections of council land, buildings and assets. Such documentation can prove to be important in the event of injury or a claim against the council. The council's insurers will be willing to advise on the type and frequency of such inspections.</p> <p>It is noted that the council pays NLC for the provision of an annual playground inspection.</p> <p>It is acknowledged that the Locum Clerk provided a draft Risk Assessment to council on the 7th June which covered the protection of assets owned by the Council, control of Financial Management, insurance and HMRC requirements. The Locum is aware that a further Risk Assessment is needed for the cemetery. I have identified a Health and Safety Policy on the council's computer which is dated 6th March 2016 with a review date of 6th March 2017. It is not known whether this policy has been formally reviewed and approved.</p> <p>I have reviewed the council's arrangements for the security of its electronic information and the council's</p>

		<p>previous Chairman has confirmed that computerised records were backed up on to two memory sticks. The frequency of back up is not known however.</p> <p>I have reviewed the council's insurance cover and the limits of indemnity are adequate. The policy identifies that Fidelity Guarantee covers employees but does not confirm that councillors are also covered. It is also noted that the descriptions and values of council and Trust owned assets on the policy schedule do not agree with those declared on the Asset Register.</p> <p>It is noted that the council are aware of the General Data Protection Regulations (GDPR) which came into effect on the 25th may 2018.</p> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>● The council must ensure that it has assessed of all of its key risks, including the buildings and assets it owns and maintains, its land and cemetery and any other risks that it considers necessary to review.</li> <li>● A Risk Assessment should be prepared covering the cemetery; all Risk Assessments and the council's Health and Safety Policy should be reviewed annually for continued relevance and formally approved by council.</li> <li>● Detailed inspection sheets should be prepared and completed. They should be dated and signed by the person performing the inspection and handed to the Clerk for review, authorisation and filing. Any issues identified should be reported to the Chairman, if urgent, and to council for authorisation to take appropriate action.</li> <li>● All of the council's electronic records should be password protected and backed up weekly onto an external hard drive or other suitable electronic device. Such backups should be maintained remotely from the council's computer to provide security in the event of fire or theft.</li> <li>● The council should check that the Fidelity Guarantee cover provided by the policy covers both officers and members of the council. Confirmation of this should be obtained in writing.</li> <li>● The council's insurance policy should be presented to council annually, reviewed for continued relevance and formally approved.</li> </ul>
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5	<p>The annual precept requirement resulted from an adequate budgetary process.</p> <p>Progress against budget was regularly monitored and reported and reserves were appropriate.</p>	<p><u>Adequate budgetary process</u></p> <p><b>Findings</b></p> <p>A detailed annual budget was presented to council on the 12th January 2017 for the purpose of setting the 2017/18 precept. It was resolved to set a precept of £45,913 and accept the NLC Grant of £3,494.</p> <p>I have seen no evidence that periodic budget monitoring reports have been presented to council for review and approval. Budget monitoring reports are considered to be best practice for sound financial control of a council's budget by providing members with early warning of overspends, or shortfall in income, to enable them to decide what responsive action to take.</p> <p>Year end balances at 31st March 2018 were £63,583. This comprises £17,036 relating to the Youth Fund and a general reserve of £46,547. The general reserve equates to approximately 94% of the annual precept and grant and is considered to be both adequate and prudent.</p> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>● North Lincolnshire Council has imposed stringent conditions on Local Councils for the receipt of Council Tax Grant for 2018/19. The council should ensure, therefore, that it fully considers the legal and financial implications of these conditions if it wishes to continue to receive the Grant element of the Precept.</li> <li>● Budget Monitoring Reports, showing variance analyses with explanations for variances, should be prepared and reported to council regularly throughout the year. Recognised good practice would be for this to be</li> </ul>

		performed at least quarterly.
6	<p>All expected income was fully received, was in accordance with the current scale of charges and was properly accounted for and promptly banked.</p> <p>Security controls over cash and cash equivalents are effective.</p>	<p><u>Adequate income controls</u></p> <p><b>Findings</b></p> <p>Apart from the annual Precept and Community Grant from NLC, the council received income from the cemetery, allotments, a VAT refund from HMRC, an insurance refund, the repayment of a building contractors bill for the Memorial Hall, premises hire from NLC, Northern Powergrid wayleaves, advertising on planters on Howe Lane and a small amount of bank interest. No booking diary or hall hire forms have been provided to audit to facilitate the verification of the income received in this respect.</p> <p>A copy of the Table of Fees for the cemetery dated the 7th February 2013 has been provided to audit. Some of the fees received during 2017/18 agree to the Table of Fees but I have not been provided with sufficient documentary evidence to confirm that all income received during the year is in accordance with the Table.</p> <p>The allotment file identifies that the cost per plot is £25 per annum plus a one-off administration fee of £25. This fee was set in 2007. I have seen no evidence that the council holds an Allotment Register showing plot numbers and the associated tenant for each plot. The cash and cheque payments received in respect of 2017/18 have been noted on a piece of paper with some tenants paying for half a plot and one paying for one and a half plots. In the absence of a register I have not been able to confirm that all income has been received for the plots that were let during the year or that each tenant has paid the correct fee.</p> <p>It is considered to be good practice for Parish and Town Councils to maintain a formal Scale of Charges covering all income due to the council. Best practice is for the council to review its Scale of Charges every two years and make any changes that it considers to be appropriate.</p> <p>Other income received has been agreed to the documentary evidence that has been found and was provided to audit.</p> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>● A formal Scale of Charges, covering all fees and charges made by the council (including the hire of the Hall) should be maintained. It should be formally reviewed and approved every two years by council.</li> </ul>

		<ul style="list-style-type: none"> <li>● Full documentation should be maintained for all income received by the council and provided to audit as evidence and for verification purposes.</li> <li>● Full documentation and the Burials Register should be provided to audit for the review and verification of cemetery income. Supporting documentation should also be maintained and provided to audit for the verification of hall hire, insurance claims and any other sundry income.</li> <li>● An Allotment Register should be purchased by the council showing the number of plots available, the tenants of each plot and the amounts paid each year. A duplicate receipt book should be maintained and used to receipt all allotment and sundry income to provide an audit trail from initial receipt to the bank.</li> </ul>
7	<p>Petty cash payments were appropriate and supported by receipts. All expenditure was approved and reported to members.</p> <p>VAT was correctly accounted for.</p>	<p><u>Appropriate petty cash controls</u></p> <p><b>Findings</b></p> <p>The Chairman has confirmed that the council does not maintain a petty cash system. All petty expenditure is reimbursed to the Clerk via the council's payments system. It was noted, however, that the VAT element of petty cash expenditure has not been analysed in the VAT column of the cash book and hence not included in the VAT reclaim to HMRC.</p> <p>Also, in the absence of an authorised payment schedule, it cannot be confirmed that all petty cash expenditure incurred by the Clerk has been reported to council.</p> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>● The VAT element of all petty expenditure should be included in the VAT column of the cash book for inclusion in the HMRC VAT reclaim.</li> <li>● All petty cash expenditure should be included on monthly payments schedule presented to council for review and authorisation.</li> </ul>
8	<p>All employees have contracts of employment with clear terms and conditions.</p>	<p><u>Adequate payroll controls</u></p> <p><b>Findings</b></p> <p>The statutory Internal Audit Report, which forms part of the Annual Governance and Accountability Return, requires me to certify that "Salaries to employees were paid in accordance with the council's approvals and</p>

<p>Salaries to employees and all other payments and allowances were paid in accordance with council approvals.</p> <p>PAYE and NI was correctly deducted and paid to HMRC.</p>	<p>PAYE and NI requirements were properly applied."</p> <p>To enable me to do this I need to:</p> <ul style="list-style-type: none"> <li>● Establish that all employees have contracts of employment with clear terms and conditions.</li> <li>● Agree all salaries to those approved by the council, including any changes during the year.</li> <li>● Confirm that other payments and allowances are reasonable and approved by the council and agree to timesheets where appropriate.</li> <li>● Check that all employees are subject to PAYE and NI regulations.</li> <li>● Verify that PAYE and National Insurance deductions have been correctly paid to HMRC.</li> </ul> <p>I have researched council records and discussed the Clerk's salary and allowance payments with the current and previous Chairmen of the council. By discussion, I have identified some relevant information regarding the Clerk's contract of employment and some of the terms and conditions that applied the Clerk's employment.</p> <p>I have fully analysed all salary and allowance payments during 2017/18 but, in the absence of any documentary evidence in support of these payments, I am unable to confirm their correctness.</p> <p>No records or documentation has been found to verify the following:</p> <ul style="list-style-type: none"> <li>● the NJC Spinal Column Point being paid to the Clerk,</li> <li>● a detailed calculation of each month's gross pay to take account of overtime worked,</li> <li>● the calculation of PAYE and any NI deductions,</li> <li>● the use of Basic Tools which is the HMRC software for the calculation of employees PAYE and employee and employer NI contributions.</li> </ul> <p>The only documentary evidence on file in support of each month's payments are a "Clerk's Expenses" form which identifies mileage, petty cash expenditure, net pay, HMRC payments and working from home allowance.</p> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>● Full documentary evidence, in accordance with the above, must be maintained by the council and provided to audit for review and verification purposes.</li> </ul>
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		<ul style="list-style-type: none"> <li>● All overtime claims should be reviewed and authorised by the Chairman and should be submitted to council for review and approval.</li> <li>● Any changes to an employee's terms and conditions must be authorised by council.</li> <li>● The council may wish to obtain guidance from ERNLLCA regarding the appropriate salary grade and terms and conditions of employment for a replacement Clerk for a council the size of Goxhill.</li> <li>● HMRC requires employers to submit annual declarations of certain expenses and benefits paid to employees. For example, an employer providing homeworking expenses for its employees, has certain tax, National Insurance and reporting obligations. The council should ensure, therefore, that all HMRC guidance is followed and the necessary returns are submitted prior to the statutory deadline. More information in relation to this can be found on "gov.uk/annual reporting and tasks/expenses and benefits."</li> </ul>
9	Asset and investment registers were complete and accurate and reviewed on a regular basis.	<p><u>Appropriate recording of assets</u></p> <p><b>Findings</b></p> <p>The council's Asset Register is in the form of a schedule which identifies the council's assets as the Parish Room, Pinfold and office equipment valued at a total of £108,769. Also identified are the Playing Field, Cemetery, Play Equipment, MUGA, Gates, Fences, Street Furniture, Harlands Wood and Parish Triangle, each of which are valued at a nominal £1.00. The total value of declared assets is therefore £108,776 for the purpose of the Accounting Statement on the AGAR. It is understood that the Locum Clerk is currently looking into the ownership of the Parish Room. It is noted, however, that the figure included in Box 9, fixed assets, on the Accounting Statement is £115,769, the same as last year.</p> <p>It is further noted that the council purchased a Jubilee bin for £180 during the year which has not been added to the Asset Register or box 9 on the Accounting Statement.</p> <p>The Asset Register has not been compiled in the recommended format for Parish Councils. The appropriate format is contained in the 2014 NALC/SLCC Governance and Accountability Practitioners' Guide to Local Councils.</p> <p>The valuation of assets is not in accordance with recommended practice. Detailed guidance on the valuation</p>

		<p>of assets can be found in the above practitioners guide.</p> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>● The Asset Register should be compiled and maintained in the recommended format.</li> <li>● The valuation of assets should be in accordance with recommended practice.</li> <li>● Assets purchased during the year should be added to the register at cost price, excluding VAT.</li> <li>● The total value of council owned assets as shown on the Asset Register should agree to the value declared in box 9 on the Accounting Statement.</li> </ul>
10	<p>Bank reconciliations were performed on a regular and timely basis.</p> <p>A year-end reconciliation has been performed and balanced.</p> <p>All bank reconciliations have been reviewed by an appointed member and evidenced as such.</p>	<p><u>Adequate bank reconciliations</u></p> <p><b>Findings</b></p> <p>I have been provided with no evidence that periodic bank reconciliations were undertaken during 2017/18. The Bank statements have not been marked off by the Clerk for this purpose and the council's minutes do not refer to the receipt and authorisation of bank reconciliations during the year.</p> <p>A year end reconciliation has been prepared correctly by the person employed by the council to reconstruct the cash book. The reconciliation reflects the council's financial position as at the 31st March 2018, although the balances for the 30 Day Account and the Youth Account were obtained verbally from the bank by the council's Chairman. The year-end balance on the council's Current Account has been agreed to the bank statement at the 31st March 2018.</p> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>● Detailed bank reconciliations, in the recommended format, should be prepared, presented to council for review and approval and signed as authorised by the Chairman. Good practice is for such reconciliations to be performed monthly.</li> <li>● When separate bank accounts have been established for the Trust Funds for which the council is responsible, periodic and year-end bank reconciliations will also need to be undertaken for these accounts.</li> </ul>

		<ul style="list-style-type: none"> <li>● Year-end bank statements should be obtained from the bank for the preparation of the year-end reconciliation and should be presented to audit for verification of the year-end reconciliation and the figures on the statutory Accounting Statement.</li> </ul>
11	<p>Year-end accounts were prepared on the correct accounting basis and are supported by adequate working papers and adjustments, transfers, contra entries etc. which are fully explained and justified.</p> <p>There is an adequate audit trail from underlying records and, where appropriate, debtors and creditors have been properly accounted for.</p> <p>Has the previous year's Internal Audit Report been submitted to council and actioned as necessary?</p>	<p><u>Previous Internal Audit Report actioned</u></p> <p><b>Findings</b></p> <p>The year-end statement has been prepared on the correct accounting basis (Receipts and Payments) and, therefore, debtors and creditors have not been included.</p> <p>The figure included in box 2, precept, includes the NLC Precept Grant of £3,494. In accordance with the Accounting Statements instructions, this figure should be excluded from box 2 and included in box 3, total other receipts.</p> <p>As noted in 1 above in the report, the Clerk's expenses have been included in box 4, staff costs. Such costs should be included in box 6, all other payments, in accordance with the latest Governance and Accountability Guide and the guidance notes to the Accounting Statements.</p> <p>The comparative figures for year ended 31st March 2017 have been amended in boxes 1, 7 and 8 on the current year's Accounting Statement to take account of the balance on the Youth Fund Account.</p> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>● Box 2, precept, should be reduced by the amount of the Precept Grant.</li> <li>● Box 3, total other income, should be increased by the same amount.</li> <li>● Box 4, staff costs, should be amended to include only gross pay, PAYE, NI, pension costs and mileage costs for the Clerk.</li> <li>● Box 6, all other payments, should be increased to reflect the reduced staff costs figure in box 4.</li> <li>● Box 9, total fixed assets, should be amended to agree to the revised total on the Asset register when the necessary adjustments have been made in accordance with the recommendations in 9 above in the report.</li> </ul>

		<ul style="list-style-type: none"> <li>● As the comparative figures for year ended 31st March 2017 have been amended in boxes 1, 7 and 8 on the current year's Accounting Statement the council should include the word "Restated" against these figures as described in the 2018 Governance and Accountability Practitioners Guide for Local Councils (para. 2.9). This should be brought to the attention of the External Audit in accordance with the instructions provided by PKF Littlejohn.</li> <li>● The Variance Analysis will need to be amended prior to submission to the External Auditor to take account of the above adjustments.</li> </ul>
12	The council has met its responsibilities as a trustee	<p><u>Trustee responsibilities</u></p> <p><b>Findings</b></p> <p>The Council is the sole Trustee for both the "Goxhill Memorial Hall and Recreation Ground" and the "Goxhill Millennium Green."</p> <p>The Charity Commission's website confirms that Goxhill Memorial Hall was entered on the Register of charities on the 23rd March 1964 and the registered charity number is 51928. It also confirms that Goxhill Millennium Green Trust was registered on the 9th August 1999 and its registered charity number is 1077394.</p> <p>I have examined the council's accounts and found that Trust Fund figures have been included in Section 2, Accounting Statements, on the Annual Governance and Accountability Return.</p> <p>I have reviewed both of the Trust Deeds and noted the principal covenants:</p> <p><u>Goxhill Memorial Hall</u></p> <p>The provision and maintenance of the Village Hall and Recreation Ground for use by the inhabitants of the Parish of Goxhill, for meetings, lectures, classes and other forms of recreation and leisure time occupation with the intention of improving the conditions of life for the said inhabitants.</p> <p>Classification:</p> <ul style="list-style-type: none"> <li>• What: Education/Training. Arts/Culture/Heritage/Science. Amateur Sport.</li> <li>• Who: Children/Young People. Elderly/Old People. People with Disabilities. Other Charities or Voluntary Bodies. Other Defined Groups. The General Public/Mankind.</li> </ul>

- How: Provides Buildings/Facilities/Open Spaces.

#### Goxhill Millennium Green

The provision of an open space for the benefit of the inhabitants and to be used forever as an area for informal recreation, play or other leisure-time occupations, a meeting area or place of community events and for any other lawful purpose consistent with these Trusts and for the general benefit of the community.

#### Classification:

- What: General Charitable Purposes. Environment/Conservation/Heritage.
- Who: The general Public/Mankind.
- How: Provision of Buildings/Facilities/Open Spaces.

I have reviewed the accounts of the council and, in my view, the income received and expenditure incurred indicates that it has acted properly in relation to administering the terms of both of the Trust Deeds. The council as a whole has certain legislative and governance responsibilities in connection with the Trust Funds that it administers. More information regarding these responsibilities can be found in the 2018 NALC/SLCC Governance and Accountability Guide for Local Councils, sections 1.41 and 2.29 and assertion 9 sections 5.112 to 5.119.

#### **Recommendations**

- The accounts and record keeping of both of the council's Trust Funds should be maintained in accordance with the guidance contained in the 2018 NALC/SLCC Governance and Accountability Guide for Local Councils. These requirements include the maintenance of separate cash books, accounting records and bank accounts. Separate meetings, which must be separately minuted, must also take place in respect of Trust matters and decisions. This requirement also includes the issuing of separate notices and agendas for such meetings. Additionally, the value of Trust property must not be included in the council's records or on the AGAR. It is also recommended that separate Asset Registers be maintained for the council and each Trust.

- The council should continue to administer the Memorial Hall and Millennium Green Trusts in accordance with the covenants of the respective deeds.

13	The council's minutes are maintained in accordance with legislative requirements.	<p><u>Correct maintenance of council minutes</u></p> <p><b>Findings</b> The council's minutes are in a loose leaf format and all minutes for the year were presented to audit. It was noted, however, that the pages of several sets of minutes during the year have not been signed as a true record by the Chairman in accordance with the Local Government Act 1972 (Schedule 12.41(2)).</p> <p>It was also noted that the minutes have not been consecutively numbered throughout the year as required by the above legislation.</p> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>● Each page of all council minutes should be signed as a correct record in accordance with the above legislation.</li> <li>● All council minutes should also be consecutively numbered throughout the year in accordance with legislative requirements.</li> </ul>
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## Executive Summary

It is acknowledged that 2017/18 has been a challenging year for the whole of the council. The timing of a detailed Internal Audit is appropriate in the circumstances and I trust that members will view this report as a guide for the future governance of the council and enable it to put proper processes and systems in place.

I have reviewed the previous four years Internal Audit Reports which were completed as part of the statutory Annual Returns. Each report has certified that all accounting and governance arrangements have met the required standards of control in all areas. The high number of accounting and governance issues identified during this audit suggests, however, that the previous Internal Audits undertaken on behalf of the council have not been performed in accordance with legislative requirements and the Governance and Accountability guidance available.

In accordance with recognised practice, an Action Plan should be drawn up, which prioritises the significant weaknesses in internal control identified above, as well as addressing the other recommendations in the report during the current financial year. It is acknowledged that the council's Locum Clerk has already started to address some of the issues identified during the audit.

The Internal Audit has been conducted in accordance with the Governance and Accountability for Local Councils – Practitioners Guide 2018.

I confirm that I have no relationship or interest, financial or otherwise, with any member or officer of the council.

Richard Dixon

*Public Sector Audit*

20th June 2018

*Public Sector Audit*