

AGAR - INTERNAL AUDIT - RFO RESPONSE - 2019/20 FINANCIAL YEAR

AGAR REQUIREMENTS	YES' MEANS THAT THIS AUTHORITY	OBJECTION RAISED	INTERNAL AUDIT REPORT 2019/20	COUNCIL RESPONSE
<p>1 We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.</p>	<p>Prepared it's accounting statements in accordance with the Accounts and Audit Regulations.</p>	<p>Financial regs not updated since 2014 and - Standing Orders since 2011.</p> <p>Purchase order system not utilised, contract procurement requirements not being followed.</p> <p>Major contracts not properly tendered and payments not recorded at council.</p> <p>No accurate reserve accounting is carried out and reserves and revenue expenditure are confused.</p>	<p>The Financial Regulations have not been reviewed and updated since 2014. Standing Orders have not been updated since 2011.</p> <p>The purchase order system is not being utilised as required by the Financial Regs. There is no evidence that the council have complied with the contract procurement requirements of the Financial Regulations. No evidence was provided that contracts were subject to three quotations. Council minutes do not record that payments are approved but state that they are accepted.</p> <p>There are no adequate record of earmarked reserves in the council ledger system.</p>	<p>Task awaits completion although an initial review has been conducted. Task awaits completion.</p> <p>Authority levels for staff, councillors and committees along with a new purchase order system have been put into place. Contract procurement requirements are now being adhered to. Contracts are now subject to three quotes on renewal. Payments are currently reviewed by the locum clerk.</p> <p>This was corrected in the re-coding and re-organising of the RBS ledger system. Reserves are now clearly defined.</p>
<p>2 We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed it's effectiveness.</p>	<p>Made proper arrangements and accepted responsibility for safeguarding the public money and resources in it's charge.</p>	<p>The council's system of internal controls is NOT in place, adequate for the purpose intended and effective. Fixed asset register is incomplete.</p> <p>Budgetary control is not effective and reports presented as budgets are not derived from the appropriate ledgers. As such budgetary information is not fit for purpose.</p> <p>Bank reconciliations not reviewed and approved by council.</p> <p>Fees charged by the council were not approved by the council.</p>	<p>The council's system of internal controls is NOT in place, adequate for the purpose intended and effective. The fixed asset register is incomplete as the allotments are not recorded. The asset register does not contain a column to confirm insurance arrangements. No internal control in place for an annual review of capital expenditure. Russells Meadow is recorded at £3.5million but the adjoining land is valued at £1. The current budgetary control spreadsheet is not fit for purpose and is not produced by the RBS council ledger system which is the prime council record and does not evidence the under/over spending on the annual budget for the financial year. The monthly bank reconciliation from the RBS ledger is not reviewed and approved by council. The council is not complying with the authorisation requirements of the Financial Regulations.</p> <p>Fees and charges levied by the council are not agreed by the council annually.</p>	<p>Although some have been improved others remain in progress.</p> <p>This has not yet been corrected due to the size of the task at hand as the entire fixed asset register needs to be re-assessed and re-recorded.</p> <p>The old spreadsheet was discontinued on the commencement of the new RFO's employment. Budgets are now clear and RBS reports along with variance analysis will be used once the system is up to date.</p> <p>This will be provided once the system is up to date.</p> <p>Authorisation was set up with Co-op bank where two councillors would authorise all payments - the bank advised to defer this action due to the covid risk. Task awaits completion.</p>

		Payroll is not reviewed by the council and salary increases are not authorised.	There are no detailed pre-authorisation payroll checks carried out by councillors and no periodic system of checking the accuracy of payroll to source documentation. Payroll changes such as salary increase due to pay scale changes are not included in the minutes.	This was discussed but delayed due to covid restrictions.
		Payroll records have not been checked and not all staff have contracts.	The locum clerk does not have a contract of employment. Other staff contracts were not available.	The last pay scale increases were authorised by council and minuted.
		No controls exist to ensure that income from car-parks is collected, reconciled and banked.	There is no control in place to ensure that for every week of the financial year car park income has been collected, reconciled to ticket duplicates and banked.	Full access to contracts can now be made.
3	We took reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and proper practices that could have a significant financial effect on the ability of this authority to conduct it's business or manage it's finances.	Has only done what it has the legal power to do and has complied with proper practices in doing so.	Significant issues have emerged with the councils VAT returns and problems exist over the partial exemption calculations.	The VAT conclusion has been documented in the council report from 16th February 2021.
		No evidence exists that the council has taken steps to ensure compliance with GDPR (data protection). Fidelity insurance is inadequate.	It is clear from the VAT consultant report that the arrangements for administering and accounting for VAT at both the council and the sole trustee charities has not been compliant in previous years. The council is registered for VAT and 1/4ly returns are submitted to HMRC for the council and three separately constituted charities for which the council is sole trustee. Staff were not able to provide evidence that HMRC have agreed to this arrangement. It is unusual for four separately constituted bodies to be registered under the same VAT number. Due to this group arrangement it is difficult to determine how the partial exemption threshold would be applied. There is no evidence that action has been taken to ensure compliance with GDPR. The fidelity cover is currently £250k but cash and bank reserves are considerably higher.	Reclaiming and charging of VAT through the charities using the council VAT number was ceased as of March 2020.
4	We provided proper opportunity during the year for the exercise of electors rights in accordance with the requirements of the accounts and audit regulations.	During the year gave all persons interested the opportunity to inspect and ask questions about this authorities accounts.	Although the dates in the public notice were compliant no evidence had been retained that the notice was displayed.	Task awaits completion. This was increased immediately after the auditors report was received. Evidence has been retained this year but the timeline was missed due to the VAT review.

<p>5 We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks including the introduction of internal controls and/or external insurance cover where required.</p>	<p>Considered and documented the financial and other risks it faces and dealt with them properly.</p>	<p>- all but the completion of an adequate risk assessment, an area which has been the subject of much concern amongst residents in connection of the Councils handling of the Covid-19 pandemic and which the council reported had been done.</p>	<p>The council has not yet updated, reviewed and approved an annual comprehensive risk assessment covering financial and non-financial risks and mitigation actions.</p>	<p>The existing risk assessment was deemed by the internal auditor as 'not fit for purpose' and a new document awaits completion.</p>
<p>6 We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.</p>	<p>Arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.</p>	<p>John Henry has produced detailed and independent work however this appears to be a significant improvement on previous years when the council still answered 'Yes'.</p>		<p>The 2019/20 internal audit conducted by a newly appointed auditor does bring into question the accuracy of previous years' assessments.</p>
<p>7 We took appropriate action on all matters raised in reports from internal and external audit.</p>	<p>Responded to matters brought to it's attention by internal and external audit.</p>	<p>See internal audit follow up.</p>		<p>The risk assessment, or lack of, was noted by the external auditor from the 2018/19 AGAR return as answered incorrectly as 'Yes'.</p>
<p>8 We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year end, have a financial effect on this authority, and where appropriate, have included them in the accounting statements.</p>	<p>Disclosed everything it should have about it's business activity during the year including events taking place after the year end if relevant.</p>	<p>It is understood that provisions in excess of £60,000 have had to be made to cover a likely settlement with HMRC.</p>	<p>VAT is being charged on hire of the pavilion but no option to tax has been submitted to HMRC.</p>	<p>Please refer to the VAT report from the council meeting of 16th February 2021.</p>
<p>9 Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund/assets, including financial reporting and, if required, independent examination or audit.</p>	<p>Has met all of it's responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.</p>	<p>The council have not identified appropriately the VAT issues impacting on the charities concerned and have not kept adequate records of reserves.</p>		<p>All VAT issues relating to the charities were corrected in their treatment by March 2020. All reserve records are now accurately kept.</p>