

Annual Internal Audit Report 2019/20

CAISTOR TOWN COUNCIL

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation during the financial year ended 31 March 2020.

The internal audit for 2019/20 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Agreed? Please choose one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.		✓	
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.		✓	
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.		✓	
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	✓		
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.		✓	
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic and year-end bank account reconciliations were properly carried out.		✓	
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.		✓	
K. IF the authority certified itself as exempt from a limited assurance review in 2018/19, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2018/19 AGAR tick "not covered")	✓		
L. The authority has demonstrated that during summer 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.		✓	
M. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	Not applicable

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

10/11/20

Name of person who carried out the internal audit

PERRY ANDREW YAMENU BA (HONS)
FCCA

Signature of person who carried out the internal audit

P. A. Yamen

Date 10/11/20

*If the response is 'no' you must include a note to state the implications and action being taken to address any weakness in control identified (add separate sheets if needed). FULL REPORT ATTACHED.

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).

Caistor Town Council Statement of Accounts for 2019/20

Internal Audit Report 10/11/20

This report is a result of a full substantive internal audit into the accounts and financial controls undertaken by Caistor Town Council. The audit took place from 5/5/20 up to the 10/11/20 at 28 Queen Street, Market Rasen.

As in previous years the affairs of the authority were reviewed, and the accounts of the authority assessed using standard accounting procedures.

The audit has found several areas of concern.

Background

The clerk to the authority originally sent to us the statement of accounts for audit. We audited these statements and reported on a draft basis that these were not of a quality for us to complete the works. The authority then reviewed the submission and with our assistance corrected the submission. A draft report was issued to the authority highlighting the weaknesses. A second submission was made to us and the audit restarted on the updated statements.

Appropriate accounting records

Our audit concluded that the clerk has not kept the records in an acceptable manner. The authority began to use a computerised system to record their affairs in the previous year. There was the usual start up errors and the clerk was advised on these, but they were of a small quantity and not material to the audit. The clerk was instructed that the providers of the system would be needed to change the balances to obtain the correct opening balances for the year 2019/20. He failed to do this, and the system still shows incorrect figures.

The first submission of the records produced from the system showed a large amount of omissions of purchases of the council and several items incorrectly recorded. The back up paperwork to the records is incomplete with many records missing and was presented in no order that could be relied upon.

The second submission corrected the omissions and the records on the system are now within an acceptable state but the back up paperwork is still not acceptable. Some small errors were present but corrected after notification.

Financial regulations

The clerk has been allowed to operate outside of normal regulations and the lack of control over his activities are evident in several areas. There was no evidence provided that all necessary works were properly quoted for and approved by council. The evidence for approval of payment is weak and needs significant improvement. Paperwork was not supplied for all expenditure and that supplied was not supplied on a satisfactory filing order. The payments to the clerk have not been properly made and controlled (see below).

VAT

The audit for the previous year highlighted that the VAT for the previous year had not been reclaimed from HMRC. In this year that VAT was claimed and the VAT for 2018/19. The clerk has also claimed for part of 2019/20 and this has increased the income for the year. The VAT returns were not correct due to the errors made by the clerk in the entry of the transactions into the computer system.

Salary

The audit found that the salary to the clerk was not as expected. The clerk had utilised the PAYE program from HMRC. The entries in two months were compacted and therefore the NI for the employee and employer were incorrect. This caused the council extra expense. We have recommended the use of a commercial program in order that this can not recur and the RTI reports and missed end of year filing report to HMRC has been corrected. The clerk ignored the RTI reports and paid himself differing amounts and so has overpaid himself significantly. The payments for PAYE were found to be in error and the authority is now £9000 in credit at HMRC due to the payments being duplicated. The records at HMRC at 10/11/20 show a duplicate employee record which will need to be removed for the overpayment to show correctly. An earlier year adjustment will be needed to correct this.

The clerk received a three year update submission return requirement from the Pension regulator to confirm compliance with auto enrolment rules and as part of this set up a pension scheme for himself and paid into it an amount of £216 per month backdated to his starting date. The pension scheme was not approved by the authority and no evidence was found that the authority authorised the payments.

The authority is now undertaking a review into the PAYE, salary and pension payments.

Bank reconciliation

No proper bank reconciliations were carried out by the clerk. This has now been completed to the year end.

Public rights

See previous year external audit report.

Conclusion

The financial controls were found to be weak and often ignored by the clerk. The authority is understood to be reviewing these and next year's audit should concentrate upon the present failing areas. The work done by the clerk is substandard and the clerk should be required to undertake training to bring his knowledge and skills to the required level.

Copy of the statements are attached

Cassells Limited
10/11/20

Revised Accounting Statements 2019/20

	Per Caistor TC clerk	Per Caistor TC revised	Per Cassells
Bal b/fwd	73316	73316	73316
Precept	91306	91306	91206
Other income	31757	58767	58867
Staff costs	44897	39300	38812
Loan			
Other Expenditure	118359	105844	106332
Surplus	-40193	4929	4929
c/fwd	33123	78244	78244
Financed by			
Current acct	33123	13730	13730
Deposit acct	0	64514	64514

Final differences

£100 off precept due to Council Support Grant from WLDC
Small expenditure in staff to admin expenses

Prior year balances still need to be updated

Note re true surplus

Income increased by claiming VAT for 3 years – reduce income by 8969
Expenditure increased by extra payments to clerk, HMRC and pension.

Cassells Limited
28 Queen Street
Market Rasen
Lincs
LN8 3EH

Section 2 – Accounting Statements 2019/20 for

Caistor Town Council

	Year ending		Notes and guidance
	31 March 2019 £	31 March 2020 £	
1. Balances brought forward	93,376	73,316	Total balances and reserves at the beginning of the year as recorded in the financial records. Value must agree to Box 7 of previous year.
2. (+) Precept or Rates and Levies	88,640	91,206	Total amount of precept (or for IDBs rates and levies) received or receivable in the year. Exclude any grants received.
3. (+) Total other receipts	15,130	58,867	Total income or receipts as recorded in the cashbook less the precept or rates/levies received (line 2). Include any grants received.
4. (-) Staff costs	31,355	38,812	Total expenditure or payments made to and on behalf of all employees. Include gross salaries and wages, employers NI contributions, employers pension contributions, gratuities and severance payments.
5. (-) Loan interest/capital repayments	—	—	Total expenditure or payments of capital and interest made during the year on the authority's borrowings (if any).
6. (-) All other payments	92,475	106,332	Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).
7. (=) Balances carried forward	73,316	78,244	Total balances and reserves at the end of the year. Must equal (1+2+3) - (4+5+6).
8. Total value of cash and short term investments	73,316	78,244	The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – To agree with bank reconciliation.
9. Total fixed assets plus long term investments and assets	1,416,461	1,416,461	The value of all the property the authority owns – it is made up of all its fixed assets and long term investments as at 31 March.
10. Total borrowings	—	—	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).
11. (For Local Councils Only) Disclosure note re Trust funds (including charitable)	Yes	No	The Council, as a body corporate, acts as sole trustee for and is responsible for managing Trust funds or assets.
		X	N.B. The figures in the accounting statements above do not include any Trust transactions.

I certify that for the year ended 31 March 2020 the Accounting Statements in this Annual Governance and Accountability Return have been prepared on either a receipts and payments or income and expenditure basis following the guidance in Governance and Accountability for Smaller Authorities – a Practitioners' Guide to Proper Practices and present fairly the financial position of this authority.

Signed by Responsible Financial Officer before being presented to the authority for approval

Jayne Bowman

Date

12/11/2020

I confirm that these Accounting Statements were approved by this authority on this date:

12/11/2020

as recorded in minute reference:

November Minutes To Be Released

Signed by Chairman of the meeting where the Accounting Statements were approved



Section 3 – External Auditor Report and Certificate 2019/20

In respect of

CAISTOR TOWN COUNCIL

1 Respective responsibilities of the body and the auditor

This authority is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The authority prepares an Annual Governance and Accountability Return in accordance with *Proper Practices* which:

- summarises the accounting records for the year ended 31 March 2020; and
- confirms and provides assurance on those matters that are relevant to our duties and responsibilities as external auditors.

Our responsibility is to review Sections 1 and 2 of the Annual Governance and Accountability Return in accordance with guidance issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General (see note below). Our work **does not** constitute an audit carried out in accordance with International Standards on Auditing (UK & Ireland) and **does not** provide the same level of assurance that such an audit would do.

2 External auditor report 2019/20

(Except for the matters reported below)* on the basis of our review of Sections 1 and 2 of the Annual Governance and Accountability Return, in our opinion the information in Sections 1 and 2 of the Annual Governance and Accountability Return is in accordance with *Proper Practices* and no other matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met. (*delete as appropriate).

(continue on a separate sheet if required)

Other matters not affecting our opinion which we draw to the attention of the authority:

(continue on a separate sheet if required)

3 External auditor certificate 2019/20

We certify/do not certify* that we have completed our review of Sections 1 and 2 of the Annual Governance and Accountability Return, and discharged our responsibilities under the Local Audit and Accountability Act 2014, for the year ended 31 March 2020.

*We do not certify completion because:

External Auditor Name

External Auditor Signature

Date

*Note: the NAO issued guidance applicable to external auditors' work on limited assurance reviews in Auditor Guidance Note AGN/02. The AGN is available from the NAO website (www.nao.org.uk)

Section 1 – Annual Governance Statement 2019/20

We acknowledge as the members of:

CAISTOR TOWN COUNCIL

our responsibility for ensuring that there is a sound system of internal control, including arrangements for the preparation of the Accounting Statements. We confirm, to the best of our knowledge and belief, with respect to the Accounting Statements for the year ended 31 March 2020, that:

	Agreed		Yes' means that this authority:
	Yes	No*	
1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.		✓	prepared its accounting statements in accordance with the Accounts and Audit Regulations.
2. We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.		✓	made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.
3. We took all 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 its business or manage its finances.		✓	has only done what it has the legal power to do and has complied with Proper Practices in doing so.
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 authority's accounts.
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.	✓		considered and documented the financial and other risks it faces and dealt with them properly.
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.		✓	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.
7. We took appropriate action on all matters raised in reports from internal and external audit.	✓	✗ J.W	responded to matters brought to its attention by internal and external audit.
8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements.	✓		disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.
9. (For local councils only) Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	Yes	No	N/A
			✗

*Please provide explanations to the external auditor on a separate sheet for each 'No' response and describe how the authority will address the weaknesses identified. These sheets must be published with the Annual Governance Statement.

This Annual Governance Statement was approved at a meeting of the authority on:

12/11/2020

and recorded as minute reference:

November minutes - to be released.

Signed by the Chairman and Clerk of the meeting where approval was given:

Chairman

Clerk



SIGNATURE REQUIRED

Other information required by the Transparency Codes (not part of Annual Governance Statement)

Authority web address

www.parishes.lincolnshire.gov.uk/Caistor