



Dowsby Parish Council
c/o Cllr Leonard Rodford (Chairman)
Saffron Lodge
Main Road
Dowsby
Bourne
PE10 0TL

11 May 2023

For the Attention of Dowsby Parish Council Chairman and all Elected Members,

Annual Internal Audit Report for year ended 31 March 2023

In accordance with my letter of appointment, dated 19 April, I have conducted a selective assessment of Dowsby Parish Council's accounting records, practices and internal control systems as required of an internal audit. This included cross-referencing and reviewing financial transactions and a selection of Council Resolutions, practices and internal controls, against the relevant legislation.

All of the requested documents were provided by your Clerk/RFO promptly and without hesitation. Based on the information provided, I can confirm that the Council is eligible to certify itself exempt from a limited assurance review.

On behalf of the Council, the RFO does maintain clear and organised financial records. However, there are still some internal controls that need to be addressed by the Council, which have prevented me from responding positively to all of the Annual Governance & Accountability Return (AGAR) Annual Internal Audit Report objectives (page 4):

1. Objective B. To be able to review procedures, check for effective segregation between the raising, authorising and making of payments, and confirm that the Council complied with its standing orders and financial regulations, they need to exist. Therefore, I have annotated 'No' for this objective.
 - a. From the Minutes (Ref: 1042.2), it appears that a contribution towards a Coronation event from the Village Hall was first requested under the "Receive Reports from Representatives on Outside Bodies" Agenda item, with a figure was proposed by one councillor, with 2 others 'in favour'; a cheque for the proposed amount was subsequently signed, a month later, outside of a Meeting.
 - b. During the year, a member was reimbursed for expenditure (Min Ref: 1045.1) that does not have clear audit trail of prior approval by Council, only an 'agreement in principle' to a suggestion (Min Ref: 1033.5), and there is no formal Council resolution approving the reimbursement; the beneficiary was also a signatory on the cheque (Chq 100391), and the invoice makes no reference to the Council or the purchaser as a councillor.
2. Objective C. Once again, there is no evidence in Minutes, Agendas or on the website that the Council assessed the risks to achieving its objectives (significant or otherwise), and that it reviewed the adequacy of these arrangements, during the above, nor the previous, financial year. The Accounts and Audit Regulations 2015 Regulation 3. (c) states that the requirement for the relevant authority to ensure that it

has a sound system of internal control, includes “effective arrangements for the management of risk”. I have again annotated ‘No’ for this internal control objective.

3. Objectives F (Petty cash). This objective has been annotated ‘Not covered’ as, as far as I am aware, the Council does not hold petty cash.
4. Objective G. Part of satisfying the requirements of this objective, is to ensure that a formal employment contract is in place. There is still no written contract of employment/statement of particulars for the Clerk/RFO, as required by the Employment Rights Act 1996 (Part I S.1-7). Therefore, I have annotated ‘No’ for this objective.
 - a. This was highlighted in my previous report and discussed by Council last May (Minute Ref: 1011.5), with the resulting action for the “Clerk to write” their own. Surely, it is for the Council (as the employer), to determine the required terms of employment, such as hours and rate of pay, leave entitlement, disciplinary and grievance procedures, etc., not the employee!
5. Objective H. An Asset Register was provided, but it had not been updated to reflect the purchases of the defibrillator cover and village entrance gates (totalling £871.97); this also impacts the Section 2 Line 9 figure (see below). Therefore, at the time of audit, I have to respond ‘No’ for this objective. However, if this is corrected prior to, or as part of the Council’s approval of the AGAR, I am willing to amend my response.
6. Objective I. There is no evidence in the Minutes, Agendas, on the bank statements, or on the invoices to confirm that periodic bank reconciliations were independently scrutinised and signed-off by the Council, Chairman, or members. As this is an essential aspect of internal control, I have annotated ‘No’ for this objective.
7. Objective J. Although the debtors and/or creditors are correctly accounted for on the Accounts Summary at the financial year-end, the resulting difference (£436), has not been reflected in the AGAR Accounting Statements (Line 8). Therefore, at the time of audit, I have to respond ‘No’ for this objective. However, if this is corrected prior to, or as part of the Council’s approval of the AGAR, I am willing to amend my response.
8. Objective L. There are still gaps in the information that is required to be published in an accessible webpage format. As stated in my last report, the Web Content Accessibility Guidelines (WCAG 2.1), require Councils to achieve a minimum standard of government accessibility requirements for all information from September 2018 onwards; PDF documents cannot be the only format available. The absence of some documents, also mean that the Council is not currently meeting its requirements for published documents in accordance with the Transparency code for smaller authorities. Therefore, I have annotated ‘No’ for this objective.
9. Objective O (Trust Funds). I have annotated this objective ‘Not applicable’ as, as far as I am aware, the Council does not hold any trust funds.

In addition, I have the following comments and opinions on the other AGAR sections and supporting documents:

- I concur with the total gross income (£2,004) and expenditure (£2,559) figures stated on the Certificate of Exemption (page 3) and can confirm that they match the provided accounting records.
- When completing AGAR Sections 1 and 2, the Council must comply with the Governance and Accountability for Smaller Authorities in England – A Practitioners’ guide to Proper Practices, which takes other relevant legislation, such as the Accounts and Audit Regulations 2015.

- Section 1 – Annual Governance Statement (page 5). The Council should follow the guidance and consider the detailed requirements of each assertion, and the evidence that confirms this, before agreeing a ‘Yes’ response; a statement must be published for any ‘No’ response:
 - To warrant a positive (Yes) response to AGS Assertion 2 (Internal Controls), the processes required to be in place and effective include: Standing Orders and Financial Regulations “*The authority needs to have in place standing orders and financial regulations governing how it operates.*”; Safe and Efficient Arrangements to Safeguard Public Money “*Practical and resilient arrangements need to exist covering how the authority orders goods and services, incurs liabilities, manages debtors, makes payments, and handles receipts.*”; Authorities need to regularly review the effectiveness of their arrangements to protect money; and Authorities need to ensure controls over money are embedded in Standing Orders and Financial Regulations. Without these in place, it is my opinion that the Council should respond ‘No’ to Assertion 2; and should not have responded ‘Yes’ in 2021/22.
 - A ‘Yes’ response to Assertion 5 (Risk management) requires the Council to have arrangements in place for: Identifying and assessing risks “*The authority needs to identify, assess and record risks associated with actions and decisions it has taken or considered taking during the year that could have financial or reputational consequences*”; and Addressing risks “*Having identified, assessed and recorded the risks, the authority needs to address them by ensuring that appropriate measures are in place to mitigate and manage risk.*”. In the absence of any Minute or Agenda item, to state that this has been carried out either during this year, or the previous one, it is my opinion that the Council should respond ‘No’ to Assertion 5; and should not have responded ‘Yes’ in 2021/22.
 - Assertion 7 (reports from Auditors) requires the Council to consider and take corrective action, where appropriate, to all matters brought to its attention by its internal audit (and external auditor) in order to justify a positive response. Given that the comments regarding Assertions 2 and 5 were raised at the last audit and again at this one, in my opinion, the Council should respond ‘No’ to Assertion 7.
 - Transparency Code. This page now includes a statement to confirm that the website is up to date and the information required by the Transparency Code has been published; this is not part of the Annual Governance Statement. At the time of audit, this is not the case, therefore I would expect the Council to respond ‘No’ unless this is addressed prior to approval of the AGAR.
- Section 2 – Accounting Statements (page 6). As stated above, the Council should follow the guidance and consider the detailed requirements of each line, and the evidence that confirms this, before approving each figure. Specifically for 2023:
 - Lines 7 (Balances carried forward) and 8 (incl. Total cash – as per bank reconciliation). The ‘unpresented’ cheques (totalling £436) as at 31 March should be represented by a difference between the Line 7 & 8 figures for accounts prepared on an income and expenditure basis. Line 7 relates to the actual year-end balancing figure that is carried forward (e.g., £4,312.79); Line 8 relates to the bank reconciliation as at 31 March (e.g., £4,748.79). A statement also needs to be prepared to explain any difference between the values in case of query by a local elector and/or interested party.

- Line 9 (incl. Fixed assets). The value of the defibrillator cabinet cover and village entrance gates (totalling £871.97) are not reflected in Line 9 for 2022/23; although the gates are not yet installed, the purchase of the asset occurred in this financial year. The updated Line 9 value (£6,016), will require explanation on the 'Explanation of Variances' sheet.
- Supporting documents:
 - Bank Reconciliation: Balance brought forward on the Community Account is overstated. The uncleared cheque at 2021/22 year-end (Chq 100375 for £36) has not been deducted. Correct opening figure at 1 April 2022 is £2,950.07.
 - Explanation of variances. As per the Line 7 and Line 8 comments above, the explanation of variances should be updated to reflect the correct closing balances.
 - Asset Register. As per the Line 9 and Objective H comments above, the Asset Register needs to be updated to reflect the purchases of a defibrillator cabinet cover and village entrance gates that took place before 31 March.

Other comments and observations:

- Although the VAT has been appropriately accounted for, the amounts for 2021/22 (£44.90) and 2022/23 (£190.53), have not yet been reclaimed. In accordance with VAT Notice 749, reclaimable VAT should be reclaimed from HMRC at least annually.
- The Council appears to have not held an 'Annual Parish Meeting' since July 2020, this is not the Annual Council (General) Meeting. In accordance with the Local Government Act 1972, Section 9, there is a requirement for an Annual Parish Meeting, plus at least 3 other meetings, of the Parish Council each year.
- Having only 2 councillors on the bank mandate provides limited cover for signing cheques and, as previously highlighted, can lead to councillors signing their own cheque.
- It is important for both the public and Council members that Agendas clearly state what discussions and resolutions are due to take place at each Meeting, the supporting information is received in advance, and the subsequent resolutions are formally Minuted and a complete audit trail retained.
- Although the minutes are not a verbatim record of debate at a meeting, they must accurately reflect the resolutions made by the Council. This is particularly important when it involves spending, raising or using money.
- In order to create a permanent record, and protect against the risk of fraud, cheque numbers should be written on the invoices in ink, not pencil, and include evidence of being checked by the Council (e.g., initialled).

Further to my comments at Objective G above, the absence of a written contract of employment/statement of particulars for the Clerk/RFO, is a major factor in the uncertainty regarding the remuneration due to this Council employee.

The Salary has remained unchanged since at least 2016/17. During this time, the requirements of the Clerk and RFO role have changed, including an increase in the reporting, record keeping, and publication of information and documents in accordance with the Transparency Code and WCAG, and inflation has impacted the value of the same income.

Historical correspondence suggests that the Clerk and RFO role for Dowsby Parish Council was an average of 2 hrs per week. In 2017/18, the National Living Wage (NLW) was £7.50 per hour if over 25 yrs. The salary paid that year, equates to an average of 2 hrs per week at this rate, which suggests that this understanding is correct. However, the NLW and National

Minimum Wage (NMW) has risen from £7.50 in 2017/18 to £9.50 per hour in 2022/23, and there has been no change to the salary paid by the Council. This means that either, the hours for the Clerk/RFO role have been reduced to an average of less than 1.5 hours per week, which does not align with the number of actions from Council Meetings assigned to the Clerk, or they are not being paid for at the NMW rate.

The 5% increase for 2023/24 (Minute Ref: 1034.3) is noted. However, given that the NMW/NLW increase for 2023/24 is over 9%, the increase means that either the Clerk/RFO is still being paid below the required rate, or a further reduction in paid hours (now less than 1.4 per week), has been imposed.

When I raised my concerns regarding this matter in my last report, at the subsequent Meeting, the Council was informed by the Clerk that similar sized councils were advertising the role at 3 hrs per week, but that the role was currently running at 5 hrs per week. Some of the points identified in my report, could potentially have been addressed if the Clerk/RFO was employed, and remunerated, for an adequate number of hours.

Although the Clerk/RFO role has many responsibilities, which are very difficult to clarify without a written contract and Standing Orders, it is ultimately the Council, as the corporate body, who is ultimately responsible. In order for the Council to satisfy itself that it is operating in accordance with the relevant Employment Acts, fulfilling its requirements as 'good employer', I strongly urge you to seek appropriate advice on this matter as soon as possible.

Using the provisions and services of your LALC Membership and having policies and procedures stated in writing, should make it much easier for everyone (Electors, Councillors and Clerk/RFO), to understand what needs to be done and how, and also provide the required evidence to demonstrate this.

The AGAR Annual Internal Audit Report (page 4), has been completed in line with this report, which is based on the information available at the time of audit; I will submit the signed copy to your Clerk.

If you, or the Council would like to discuss any of the points raised, please do not hesitate to contact me.

Yours sincerely,

A black rectangular box used to redact the signature of the sender.

Mrs V M Free

Copy to: Dowsby Council Clerk & RFO