
Heybridge Basin Parish Council

Internal Audit Report 2021-22

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*for and on behalf of
Auditing Solutions Ltd*

Background

Statute requires all town and parish councils to arrange for an independent internal audit examination of their accounting records and systems of internal control and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR). We note that the Council was established during the 2019-20 financial year.

This year's review has been undertaken remotely on the 18th May, and the 20th and 21st June. We thank the Clerk/RFO for providing the comprehensive supporting documentation for the purposes of this review.

Internal Audit Approach

In undertaking the review for 2021-22, we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover has, as with all our clients, been designed to afford appropriate assurance that the Council's financial systems are robust and operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory regulatory framework. The programme is also designed to facilitate our completion of the 'Internal Audit Certificate' as part of the year's AGAR process, which requires independent assurance over a range of internal control objectives.

Overall Conclusion

We have concluded that, based on the conclusion of our annual programme of work, the Council has put in place generally adequate and effective internal control arrangements, with the exception of those in relation to Internal Control Objectives 'C' and 'M'. Detail of the work undertaken on the Council's accounting and other records is set out in the following detailed report, together with any issues arising with recommendations further summarised in the appended Action Plan.

We have duly signed off the Internal Audit Certificate in the year's AGAR assigning positive assurances in all areas, with the exception of Internal Control Objectives 'C' and 'M'.

We take this opportunity to remind the Clerk/RFO of the requirements of the guidance notes in the preface to the year's AGAR in relation to the documentation that should be displayed on the Council's website, together with the need to ensure compliance with the timing requirements for publication of the Notice of Public Rights to examine the Council's documentation for the financial year.

We ask that Members consider the content of this report and acknowledge that the report has been formally reviewed and adopted by Council.

Detailed Report

Review of Accounting Records & Bank Reconciliations

The Clerk/RFO has maintained the Council's accounting records in spreadsheet format, which, given the low level of annual transactions, we consider more than adequate for the Council's requirements with a single bank account in place with Unity Bank and virtually all transactions effected electronically.

We have checked and verified detail of all cashbook entries to bank statements for the months of April, June, July and September 2021 and March 2022 and have also checked and verified the content of the quarterly prepared bank reconciliations also ensuring the accurate disclosure of the year-end balance in the AGAR for the financial year at Section 2, Box 8.

The Council's adopted Financial Regulations stipulate at paragraph 2.2 that bank reconciliations should be subject to quarterly scrutiny, agreement and sign-off by a nominated, non-bank signatory councillor: There is clear evidence in the Council's Minutes that a quarterly review of the Council's reconciliations and cashbook has been undertaken.

Conclusions

There are no matters arising in this area of review warranting formal comment or recommendation.

Review of Corporate Governance

In this area, we aim to establish whether the Council is operating in accordance with best practice and has established a sound basis of governance controls. In order that we may assess the strength of the Council's controls from members' perspective we have reviewed the year's minutes and provided the Clerk/RFO with a "Governance questionnaire" which has duly been completed and returned: the document aims to provide us with a further measure of the effectiveness of the Council's governance arrangements and to also ensure that members are kept fully aware of their fiduciary responsibilities when considering and signing-off the Governance Section of the year's AGAR.

- Noted that the Council received an 'Unqualified' External Auditor's report for the 2020-21 financial year;
- Noted that the Council maintained three Standing Committees during the 2021-22 financial year: Personnel Committee, Daisy Meadow Car Park Committee, Public Convenience Committee;
- Noted that the Council has adopted the NALC model Standing Orders (SOs) and FRs, noting that these were subject to further review and re-adoption by the Council in March 2021. We have examined their content and consider them appropriate for the Council's present requirements, although we note that, in line with the NALC model documents, a limit of £25,000 has been set for formal tender action.
- Noted that the Council appears to have taken all reasonable steps to remain compliant with the General Data Protection Regulation (GDPR), and is formally registered with the Information Commissioners office;

- Noted that the Council has published a basic web on a secure server under the domain: <https://heybridgebasinpc.org.uk> and further noted the Members Resolution to migrate the domain from the '.org.uk' to '.gov.uk';
- Noted that the Council did not provide the correct period for the Exercise of Public Rights. The period recorded on the notice was for the 28th June to the 20th August 2021 inclusive. A period of 40 working days, rather than the 30 working days including the first 10 working days in July as required by statute; and,
- Concluded our review of Council and Standing Committee Minutes for the year to determine whether any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability, noting that the Powers under which awards of Grant Aid have been made have not been properly recorded.

Conclusions and recommendations

When a Council is not eligible to adopt the General Power of Competence, it is required to operate using the Statutory Powers available to it, and to record the Power under which all awards of Grant Aid are made to third parties, in the Council's Minutes.

The Clerk/RFO is reminded that the LGA 1972, s.137 Power is the 'Power of last resort' and may only be used where no other power exists, and the Council has the Statutory authority to make the award using that power.

I have supplied a copy of 'Powers and duties of Town, Parish and Community Councils', as an appendix to this report, for the Clerk/RFO's information.

- R1. *The Clerk/RFO must ensure that the statutory Power, under which the Council makes awards of Grant Aid to third parties, is recorded against the Members Resolution.*
- R2. *The Clerk/RFO is reminded that LGA 1972, s.137 is the 'Power of last resort' and may only be used where no other power exists, and the Council has the Statutory authority to make the award using that Power.*

The council, during the 2020-21 financial year did not provide the correct period for the Exercise of Public Rights, which must be exactly 30 working days, including the first 10 working days in July. The period which the Council's Notice for the Exercise of Public Rights records the period of the 28th June to the 20th August 2021 inclusive. A period of 40 working days.

- R3. *The Clerk/RFO and Members must ensure that the period for the Notice for the Exercise of Public Rights is correctly provided in future, for a period of exactly 30 working days, to include the first 10 working days in July.*

As a result of the Council's failure to achieve this control objective, a negative assertion has been recorded against Internal Control Objective 'M' in the Annual Internal Audit Report 2021-22:

"The authority, during the previous year (2020-21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set)."

Review of Expenditure

Given the relatively low number of payments during the year, we have checked all to supporting documentation to ensure that the following criteria have been met: -

- Payments were supported by a trade invoice or acknowledgement of receipt;
- VAT has been calculated correctly and is recovered at appropriate intervals.
- The Council has approved each payment.
- Payments have been correctly analysed in preparation of the year-end Statement of Accounts.
- Section 137 payments have been identified in the cashbook and are within the Council's spending limit.

Conclusions

We have noted in the Council's Minutes that two 'Tender Processes' have been undertaken during the 2021-22 financial year. However, having reviewed these with the Clerk/RFO these have been identified as misnamed quotations, and have given advice concerning the importance or recording the correct nature of the procurement in the Council's Minutes.

We take this opportunity to remind the Clerk/RFO and Members of the absolute requirement for every Tender; (all procurements in excess of £25,000, net of VAT) total contract value, to be registered on the Government's 'contractsfinder' web portal.

Review of Assessment and Management of Risk

We note that the Council continues to maintain its Risk Registers in, and produce Risk Assessments from the Local Councils Risk System (LCRS) software, with all relevant detail duly populated and scored, the resultant records have been submitted for the purposes of this internal audit review.

We have noted that Members Resolved to establish a Task and Finish group to review the Council's Risk Registers at the 22nd February 22 meeting of the Full Parish Council, under minute reference 13, but that the Council **did not** formally review and readopt its Risk Registers during the financial year as is required.

We note that the Council insurance requirements have again been serviced by Axa Insurance UK plc., via the Council's brokers, Came & Co., (now Gallagher) for the 2021-22 financial year, under Policy Number: RGBDX6962034 with the period of cover established as: 1st June 2021 to the 31st May 2022.

Policy Schedule Key Features:

➤ Employers Liability	£10,000,000
➤ Public Liability	£10,000,000
➤ Hirers Indemnity	£5,000,000
➤ Terrorist Act	£2,000,000
➤ Safety Legislation	£1,000,000
➤ Manslaughter Costs	£1,000,000
➤ Data Protection	£1,000,000
➤ Clean up costs	£1,000,000

➤ Libel & Slander	£500,000
➤ Officers Liability	£500,000
➤ Employee Dishonesty	£500,000

We consider this level of cover appropriate for the Council's immediate and ongoing requirements.

We are advised by the Clerk/RFO that the Council has no children's play areas or recreation grounds requiring regular, or annual independent health & safety inspections.

Conclusions and recommendation

Whilst we confirm that that Council has maintained detailed, robust and proportionate Risk Registers, the Council has failed to meet the requirement of the Joint Panel and Accountability and Governance Practitioners' Guide to:

"...have prepared, and formally adopted, at least once annually, an appropriate and comprehensive register of assessed risks, both regular and ad hoc."

Resultantly, the Council has failed to meet AGAR Annual Internal Audit Report Internal Control Objective 'C':

"This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these."

R4. The Clerk/RFO and Members must ensure that the Council's formal Risk Registers are not only regularly, but must be formally reviewed and adopted, at least once annually, we suggest at the Statutory Annual Meeting of the Parish Council, with that review and adoption recorded in the Council's Minutes.

Review of Budgetary Control and Reserves

The Council's minutes indicate that members have considered and approved formally the 2022-23 financial year budget and precept, at the 16th November 2021 meeting of the Full Parish Council, under Minute reference 12, adopting the latter at the same as the prior year precept. Our records show that the Precept, therefore, was established in the amount of £34,000.

We note that members continue to receive regular reports during the year with detail of payments, receipts, bank balances and quarterly bank reconciliations.

We have considered the appropriateness of the retained funds of £11,938 (£5,100 prior-year) held at 31st March 2022, with no earmarked reserves, which equate to approximately 5 months revenue spending at the average 2021-22 level.

This sits towards the upper level of the generally accepted guidance from the Chartered Institute of Public Finance and Accounting (CIPFA) to retain between 3 and 6 months reserve, based on the average monthly prior year expenditure. We consider this level of reserve entirely appropriate for the Council's immediate and ongoing requirements.

Conclusion and recommendation

We take this opportunity to remind the Clerk/RFO and Members that both the Budget and the Precept amount should be recorded in full, in the Council's Minutes, as this is secondary

taxation which is levied against the electorate. For example: “Resolved to set the budget in the amount of £34,000 (thirty-four thousand pounds) and the Precept in the amount of £34,000 (thirty-four thousand pounds) for the 2021-22 financial year.

R5. The Clerk/RFO and Members reminded that the total amount of the Budget and Precept must be recorded, in the full amount, in the Council’s Minutes.

Review of Income

In this area of our review, we aim to ensure that income due to the Council is identified, invoiced (where applicable) and recovered at the appropriate rate and within a reasonable time scale, also that it is banked promptly in accordance with the Council’s Financial Regulations. We note that the Council has limited sources of income, other than the Precept, including:

- VAT reclaims
- Occasional grants, donations and bequests
- Daisy Meadow Car Park revenue.

We have noted the Member’s deliberations, as recorded in the Minutes of the Full Parish Council and its Daisy Meadow Car Park Committee, concerning parking tariffs and the cost of Resident’s permits and consider the tariffs set to be reasonable and proportionate.

We have noted that all payments during the financial year have been received electronically, checking the detail for the year to the 31st March 2022 to the cashbook and bank statements with no issues arising.

Finally, in this area of our review, it is our opinion that as far as we are able to reasonably ascertain, all income due to the Council has been received and recorded appropriately.

Conclusion

There are no matters arising in this area of our review warranting formal comment or recommendation.

Review of Petty Cash Account

Heybridge Basin Parish Council does not operate a Petty Cash account. The Clerk/RFO and Members purchase items and seek reimbursement of funds, via submission of a proper Expense Claim.

The Council does not maintain a credit or debit card facility.

Conclusion

There are no matters arising in this area of our review warranting formal comment or recommendation.

Review of Salaries

In examining the Council’s payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the

requirements of HM Revenues and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme, as last amended with effect from 1st April 2018 in terms of employee contribution percentages. To meet that objective, we have:

- Noted the staff changes during the 2021-22 financial year to the 31st March 2021, in relation to the new Clerk/RFO in post;
- Agreed the amounts paid to the Council's previous Clerk/RFO in July 2021 by reference to the Council's approved pay scale on the NJC annual schedule of rates payable and to the hourly rate for two of the six employees;
- Examined the employment contract for the Clerk/RFO based on the NALC model document and which is appropriate for purpose;
- Ensured that tax and NI deductions have been made applying the appropriate tax code and NI Table using the HMRC PAYE Tools (freeware) Payroll RTI software;
- Ensured that, where additional hours are worked, appropriate documentation supporting the hours claimed, is in existence and certified accordingly;
- Noted that the remuneration in respect of Members Allowances continues to be properly transacted via the Council's payroll and recorded in corresponding RTI reports; and,
- Ensured that individual staff net pay and payments to the relevant agencies (HMRC, pension fund and unions) have been processed accurately and in a timely manner.

Conclusion

There are no issues arising in this area of our review warranting formal comment or recommendation.

Review of Fixed Asset Registers

The Joint Panel on Governance and Accountability Practitioners Guide (JPAG) requires all councils to maintain a record of all assets owned. We note the Council's compliance with this requirement; the Clerk maintains and manages a basic, but appropriate register with values identified both at cost price or, when unknown, at the best approximation thereto, together with the annually uplifted insurance value to assist with budgetary planning for future replacements.

We are pleased to note that the Clerk/RFO/RFO has recorded the asset values in the register and on the 2021-22 AGAR in accordance with current reporting requirements and in-year acquisitions and disposals. the Fixed Asset Register Value recorded for the 2021-22 financial year is stated as £11,077 (Prior-year £11,092).

Conclusions and recommendation

There are no matters arising in this area of review warranting formal comment or recommendation.

However, in line with best practice and to potentially assist any insurance reclaim or police enquiry in the event of the theft of or accidental / wilful damage to equipment, consideration be given to the development of a photographic register of the Council's assets – several of our clients have found that such a record has eased the process of insurance reclaims, etc.

R5. Consideration should be given to the development of a photographic register of the Council's asset stock to assist any potential insurance reclaims or police investigations in the event of theft or damage to Council property.

Review of Investments and Loans

Our objectives here are to ensure that the Council is "investing" surplus funds, be they held temporarily or on a longer term basis in appropriate banking and investment institutions, that an appropriate investment policy is in place, that the Council is obtaining the best rate of return on any such investments made, that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

We noted that the Council does not have a formal Investment Policy in place.

The Council holds its funds in a Unity Trust Bank (current) Account: as indicated earlier in this report, we have verified the appropriate receipt of that interest and the 31st March 2022 account balances with reference to electronic copies of the prime supporting documentation and cross-checking the disclosed balances in the corresponding account reconciliations.

The Council has no long-term investments. Further, as the public funds raised by taxation, administered by the Council do not exceed £85,000 the funds fully covered by the Financial Services Compensation Scheme.

The Council has no loans, either owed, or let by it.

Conclusion

There are no matters arising in this area of our review warranting formal comment or recommendation.

Statement of Accounts and AGAR

The Council's financial accounts are managed in a single Microsoft Excel spreadsheet. The spreadsheet has also been used to provide detail for inclusion in the year's Accounting statements, which we have also verified as being consistent with the accounting and other relevant supporting records.

We have also reviewed the procedures in place for identifying year-end debtors, creditors and accruals and agreed the detailed values recorded in the year-end Balance Sheet to the underlying records with no long-standing unpaid accounts or other issues arising.

We have checked and agreed the content of the financial information presented in Section 2 of the Council's AGAR by reference to the spreadsheet cashbook and other relevant supporting records.

We also take this opportunity to remind the Clerk/RFO and Council of the disclosure requirements as set out in the preface (Page 1) of the year's AGAR.

There are no matters arising in this area of our review warranting formal comment or recommendation and, on the basis of the work undertaken during the course of our review for

the year, we have “signed off” the Internal Audit Certificate in the Annual Return assigning positive assurances in all areas except Internal Control Objectives ‘C’ and ‘M’ as indicated earlier in this report.

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NOTE TO REPORT

We confirm that all confidential & sensitive information, supplied for the purposes of this audit including, Personnel Minutes, Payroll and Employment data have been permanently deleted from Auditing Solutions Ltd.’s servers and any printouts made for the purposes of this audit have been destroyed in accordance with the Company’s data and document retention policies and with the prevailing General Data Protection Legislation.

Action Plan

Rec. No.	Recommendation	Response
Review of Corporate Governance		
R1	The Clerk/RFO must ensure that the statutory Power, under which the Council makes awards of Grant Aid to third parties, is recorded against the Members Resolution.	
R2	The Clerk/RFO is reminded that LGA 1972, s.137 is the 'Power of last resort' and may only be used where no other power exists, and the Council has the Statutory authority to make the award using that Power.	
R3	The Clerk/RFO and Members must ensure that the period for the Notice for the Exercise of Public Rights is correctly provided in future, for a period of exactly 30 working days, to include the first 10 working days in July.	
Review of Assessment and Management of Risk		
R4	The Clerk/RFO and Members must ensure that the Council's formal Risk Registers are not only regularly, but must be formally reviewed and adopted, at least once annually, we suggest at the Statutory Annual Meeting of the Parish Council, with that review and adoption recorded in the Council's Minutes.	
Reviewed of Fixed Asset Registers		
R5	Consideration should be given to the development of a photographic register of the Council's asset stock to assist any potential insurance reclaims or police investigations in the event of theft or damage to Council property.	