AUDITING SOLUTIONS LTD

Broad Town Parish Council

Internal Audit Report 2021-22

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Background

Statute requires all town and parish councils to arrange for an independent internal audit examination of their accounting records and system of internal control and for the conclusions to be reported each year in the AGAR.

This report sets out the work undertaken in relation to the 2021-22 financial year. We have again undertaken our review for the year remotely: we wish to thank the new Clerk for assisting the process, providing as much documentation as possible in electronic format to facilitate completion of our review for the year and sign off of the Internal Audit Certificate in the year's AGAR. We have undertaken sufficient substantive testing to determine whether governance and financial controls remain effective.

Internal Audit Approach

In undertaking the review for the year, we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end 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 Report' in the Council's AGAR, which requires independent assurance over a number of internal control objectives.

Detail of the work undertaken on the Council's accounting and other records is set out in the following detailed report, together with those issues arising with recommendations further summarised in the appended Action Plan.

Overall Conclusions

It is clear that the Council has suffered from a rapid turnover of Clerks during the year. Governance and financial control has slipped as a consequence, to a level where the Council needs to rebuild its procedures to the former high level. This will require investment, through training and support, in the new Clerk. We have made a number of observations and recommendations in this report in order to assist in that process. These are also detailed in the attached Action Plan, which we would be grateful if the Council would consider and formally respond to in due course.

This report has been prepared for the sole use of Broad Town Parish Council. To the fullest extent permitted by law, no responsibility or liability is accepted by Auditing Solutions Ltd to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in those records. We note that three bank accounts continue in operation with Lloyds Bank.

We note that the Clerk is continuing to maintain a cashbook on an Excel spreadsheet, which is entirely appropriate for a Council of this size.

We note that bank reconciliations are reported to each Council meeting.

Conclusions

No matters have been identified in this area warranting further comment or recommendation.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place that Council and Committee meetings are conducted in accordance with the adopted Standing Orders (SO's) and Financial Regulations (FR's) and that, as far as we are reasonably able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We also aim to ensure that appropriate policies, procedures and protocols are in place to prevent and provide a reasonable assurance of the detection of any fraudulent or corrupt activity.

We note that the Council has not readopted its SO's and FR's during the year, relying on the editions approved at the November and July 2020 meetings respectively. Again, we note that Council agreed in 2020 to set its tendering levels at £10,000 in both documents, which better reflects the tendering needs of the Council. We have discussed this with the new Clerk, who has amended the appropriate FR11.1(h).

We have examined the Council's Minutes for the financial year to identify whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability and are pleased to record that no such issues arise in this respect.

We note that the new Clerk is not CiLCA qualified, and therefore the Council can no longer apply the General Power of Competence, and must instead rely on its Section 137 powers. We have discussed this with the new Clerk.

We have noted that the 2020-21 Exercise of Public Rights was duly published on the Council's website, but for the wrong period (36 days rather than the statutory 30 days), and not in the prescribed legal form. We have discussed this with the new Clerk, with a view to following the exact prescribed procedure in the Accounts and Audit Regulations for the 2021-22 Exercise. On balance, we have concluded that this issue is not material enough to declare as a negative assurance on the 2021-22 AGAR.

The Council's website records a good level of information with regard to the 2020-21 Accounts, and some initial information with regard to 2021-22. This satisfies the requirements of the Transparency Code 2015, although this information needs to be kept up to date.

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Conclusions

No matters have been identified in this area warranting further comment or recommendation, other than our observation about the Exercise of Public Rights.

Review of Payments and VAT

We have undertaken substantive testing of a range of payments made during the year to ensure that the following criteria were met:

- Payments are supported by a trade invoice or acknowledgement of receipt;
- Members are scrutinising all payments and evidencing their review accordingly;
- VAT has been calculated correctly and is recovered at appropriate intervals;
- The Council at a Council meeting approved each payment; and
- Payments have been correctly analysed in preparation of the year-end Statement of Accounts.

We have test-checked a sample of transactions throughout the year. While we note that a good level of information on approved payments is provided in the Minutes, evidence of certification on the invoices themselves is sporadic, and has lapsed altogether under the new Clerk, which doubtless reflects a weakness in handover training from the previous Clerks.

We note that a VAT reclaim was submitted to and paid by HMRC covering the period to 31 March 2021. A balance of £2,405.99 remains on the cashbook to be reclaimed for 2021-22.

Conclusions and recommendation

R1. All invoices should be properly certified by two Councillors, by using the existing rubber stamp.

Assessment and Management of Risk

Our aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and Health & Safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks in order to minimise the opportunity for their coming to fruition.

We note that the Risk Register was most recently reviewed by the Council in November 2021, which meets the requirements of Financial Regulations for at least an annual review.

The Council's insurance is provided by Zurich, with Employer's and Public Liability cover both in place at £10 million, together with Fidelity Guarantee cover at £25,000, all of which we consider appropriate for the Council's present requirements. However, we again note that All Risk cover for assets is set at a total of £6,657 against a total in the Asset Register of £13,974. We are also concerned to note that there is no apparent cover for either playpark equipment, or its users.

In addition to our concerns over sufficient playpark covers, we are also concerned that there is no evidence of regular visual safety inspections being undertaken by the Council. Evidence of such inspections, on a weekly basis, are increasingly being called for by insurers to guard against unwarranted claims.

Conclusions and recommendations

R2. The Council should review the level of insurance cover for its declared Assets to ensure that it is appropriate. In particular, the need to adequately insure playpark equipment and users should be urgently discussed with the insurers, and implemented as a priority.

Precept Determination and Budgetary Control

We note that the Council properly considered its 2022-23 budget and Precept at its January 2022 meeting, setting its Precept at £9,905.60.

We note from the budget working papers two amounts totalling £1,413, and the Community Fund balance of £12,823 recorded in the cashbook. We have taken the sum of these amounts to constitute Earmarked Reserves. Therefore the remaining General Reserve is £5,124, which equates to approximately 52% of the Precept (around 6 months normal expenditure), which is in line with Best Practice.

Conclusions

No matters have been identified in this area warranting further comment or recommendation.

Review of Income

The Council receives limited income primarily by way of the annual Precept, small amounts of bank interest and recovered VAT, together with donations received into the Community Fund for specific projects. We have agreed a sample of receipts to bank statements and other available supporting documentation.

Conclusions

No matters have been identified in this area warranting further comment or recommendation.

Petty Cash Account

The Council does not operate a petty cash account. Any out-of-pocket expenses are reimbursed under normal payments procedures.

Review of Staff Salaries

In examining the Council's payroll function, we aim to confirm that salary payments are in line with the Council approved pay rates and that extant legislation is being appropriately observed as regards adherence to the requirements of HMRC legislation in relation to the deduction and payment over of income tax and NI contributions.

We note that three Clerks have been employed by the Council for various periods through the year. We have, therefore, examined all salary payments made during 2021-22 by reference to payments approved by the Council and HMRC returns.

While we have not found any errors in the calculations, we have found errors in the total figure for Staff Costs in Box 4 of the 2021-22 AGAR, which, on examination, includes Working from Home Allowance payments and stamps, to a total of £57.20 which should properly have been included in Box 6 (All other payments). While we do not regard this as a material adjustment, bearing in mind that the 2021-22 AGAR was signed off by the Council in mid-May, we have discussed this with the new Clerk to ensure that the appropriate figure is correctly calculated in 2022-23.

We have been informed of considerable concerns by the new Clerk over the use of HMRC's own payroll system (PAYE Basic Tools), which has led to her only requiring payment every 6 months. We feel that this is unfair to the Clerk, and we would suggest to the Council that they consider contracting out the payroll function to a specialised provider, which is increasingly common across the Parish Council.

We have also seen no evidence that the most recent NJC pay award, backdated to 1 April 2021, has yet been paid to the Clerk or her predecessors.

Conclusions

No matters have been identified in this area warranting further comment or recommendation, other than our observation about the correct calculation of total Staff Costs in the AGAR, and the calculation of payroll costs in general.

Fixed Asset Register

We again note the existence and maintenance of an appropriate Register, with all identified assets valued at original cost price or, if this is not available, a nominal £1. This satisfies the requirements of Government Accounting.

Conclusions

No matters have been identified in this area warranting further comment or recommendation.

Investments and Loans

The Council holds no funds in investments, nor does it have any loans in place either repayable by or to it.

Statement of Accounts and AGAR

The AGAR forms the Council's Statutory Accounts subject to independent external audit examination and certification. We have now agreed the detail in the year's AGAR at Section 2.

Conclusions

Other than our observation above about the correct calculation and disclosure of Staff Costs on Box 4 of the Accounting Statement, with a concomitant effect on Box 6 (All other payments), no additional issues arise in this review area and, based on the work undertaken this year, we have duly signed off the Internal Audit Report in the AGAR, assigning appropriate assurances in each relevant area based on our conclusions above.

Rec. No	Recommendation	Response
R1	(*Payments*) All invoices should be properly certified by two Councillors, by using the existing rubber stamp.	
R2	(*Management of Risk*) The Council should review the level of insurance cover for its declared Assets to ensure that it is appropriate. In particular, the need to adequately insure playpark equipment and users should be urgently discussed with the insurers, and implemented as a priority.	