
Heybridge Basin Parish Council

Internal Audit Report 2020-21

Stuart J Pollard

*Director
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 this is the first year of the Council's existence and, consequently, no prior year AGAR detail or need to publicise documentation for 2019-20 exists.

We have, due to the ongoing Covid situation, undertaken this year's review remotely and thank the Clerk for providing all necessary supporting documentation not available on the Council's website in electronic format.

Internal Audit Approach

In undertaking the review for 2020-21, 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 satisfactory conclusion of our annual programme of work, the Council has put in place adequate and effective internal control arrangements, with no significant concerns identified. 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: most of those arise as a result of the restrictions arising from the Covid pandemic and we have, consequently taken due account of that in signing-off the IA Certificate in the year's AGAR.

We have duly signed off the Internal Audit Certificate in the year's AGAR assigning positive assurances in all relevant areas. We take this opportunity to remind the Clerk 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.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Clerk 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.

In view of the low number of annual transactions, we have checked and agreed detail of all cashbook entries to bank statements for the year also reviewing and agreeing 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 (FRs) 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: due to all meetings in 2020-21 being held remotely, this has not been feasible, although we understand the intention to implement the practice as soon as the Covid situation allows.

Conclusions

We are pleased to record that no issues have arisen in this review area: we ask that the Clerk ensures that the periodic scrutiny and sign-off of bank reconciliations is implemented as soon as is physically practicable.

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 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.

We note 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. Whilst we appreciate that this is the first year of the Council's existence with possibly lower expenditure than may occur in future years, we suggest that this level be reconsidered and reduced to a more realistic value of, say, between £5,000 and £10,000.

We are pleased to note that the Council has an appropriate web site in place and is complying with the general disclosure requirements although its turnover exceeds the £25,000 requirement for compliance with the Transparency Code for smaller councils. Due to this level of annual turnover, the Council will not be able to certify itself as exempt from the external audit process for 2020-21.

Conclusions and recommendation

We are pleased to record that no significant issues arise in this area this year, although as indicated above, we suggest that the level at which formal tender action is required be reconsidered.

NALC intended to undertake a review of both SOs and FRs following the UKs exit from the EU in the early stages of 2020: promulgation of such revised documentation has, understandably, been delayed to the Covid situation. As and when we hear of the any progress in this respect, we will advise the Council accordingly.

R1. The Council should consider reducing the level at which formal tender action is required as set out in the adopted Financial Regulations and Standing Orders.

Review of Payments

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

No issues have been identified in this area with all payments for the year supported by appropriate documentation: we have, however, noted that the soft copies of the supporting documents provided for our review do not afford any evidence of member review. We appreciate that the Covid situation has restricted the Clerk and members potential to meet up and arrange for the documentation to be signed off and urge that, once we are able to return to a more normal lifestyle, the evidenced review of members' scrutiny and approval of payments should be reinstated.

We also suggest that, in line with best practice, the clerk should be initialling invoices to confirm their arithmetic accuracy and physical receipt of the goods and services so invoiced.

We also note that a mid-year VAT return has been prepared, submitted to and been repaid by HMRC during the year, detail of which we have agreed to the cashbook with a minor 70 pence discrepancy / under-reclaim noted on stationery expenses.

Assessment and Management of Risk

We are pleased to acknowledge the acquisition of the LCRS software by the Council with all relevant detail duly populated and scored, the resultant records being submitted to, approved and adopted by the Council at their meeting in November 2020: we have reviewed the output with no issues identified warranting further comment or recommendation.

We have examined the Council's insurance schedule, the year's cover being provided by AXA through Came & Co, noting that Employer's and Public Liability cover are both in place at £10 million with Fidelity Guarantee cover set at £150,000, all of which we consider appropriate for the Council's present requirements.

Conclusions

We are pleased to acknowledge the positive approach to risk management by the Council and have no issues to raise in this respect this year.

Budgetary Control and Reserves

The Council's minutes indicate that members have considered and approved formally the 2021-22 budget and precept adopting the latter at £34,000 as recorded in the minutes of the full Council meeting held in December 2020.

We are pleased to 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 £5,100 held at 31st March 2021 which equate to approximately 3 months revenue spending at the 2020-21 level and are potentially on the low side (generally recognised guidance on the level of retained funds suggest that they should be between 3 and 12 months' revenue spending).

Conclusions

Whilst no significant issues arise in this area of our review, we urge that members keep a close eye on the level of retained funds and, if appropriate when considering the 2022-23 budget and precept, members agree a further increase in the level of the requested precept to afford an appropriate level of retained funds to meet ongoing revenue spending and, if appropriate, funds to be set aside in specific reserves for any future development aspirations.

Review of Income

The Council has received very limited income other than the annual precept and, consequently, we have undertaken no detailed work in this area other than agreeing the accuracy of detail in the cashbook by reference to bank statement.

Conclusions

There are no issues in this area warranting further comment.

Petty Cash Account

The Council does not operate a petty cash account. Any out-of-pocket expenses incurred by the clerk are reclaimed periodically and paid by separate cheques, which are minuted and approved as with ordinary trade invoices.

Review of Staff Salaries

We aim in this review area to ensure that the Clerk's salary is paid in accordance with the terms of his employment contract and that appropriate tax and, where they are applicable, NI contributions have been deducted and paid over to HMRC in a timely manner.

We are pleased to record that no issues have arisen from our examination of payments made to the Clerk with appropriate tax deductions being calculated and deducted each month using the HMRC Basic PAYE Tools software and paid over to HMRC quarterly during the year. (The Clerk is of pensionable age and thus exempt from NI contributions, whilst the gross salary is also below the threshold, so no contributions are due from the Council).

Conclusions

No issues have been identified in this area.

Asset Registers

The Practitioner's Guide requires all councils to maintain a record of all assets owned. We note the existence of an appropriate record, noting that it includes detail of assets transferred to the Parish Council from Maldon District Council on its establishment in early 2020.

We are pleased to note that the Clerk has recorded the asset values in the register and on the 2020-21 AGAR in accordance with current reporting requirements and value identified in the updated asset register.

Conclusions and recommendation

We are pleased to report that there are no issues of concern arising in this area of our review process; 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.

R2. 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.

Investments and Loans

The Council does not hold any long-term investments or loans warranting disclosure in the AGAR.

Statement of Accounts and AGAR

The AGAR forms the statutory accounts for the Council subject to external audit review and certification.

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 and Council of the disclosure requirements as set out in the preface (Page 1) of the year's AGAR.

Conclusions

No matters have arisen in this area of review this year. Based on the satisfactory conclusion of our review process for the year, we have duly signed off the Internal Audit Certificate in the AGAR assigning positive assurances in each relevant area.

Action Plan

Rec. No.	Recommendation	Response
Review of Corporate Governance		
R1	The Council should consider reducing the level at which formal tender action is required as set out in the adopted Financial Regulations and Standing Orders.	
Fixed Asset Registers		
R2	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.	