

# *Public Sector Audit*

## **Bigby Parish Council**

### ***Internal Audit Report for the year ended 31 March 2021***

*Public Sector Audit*

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#### Introduction

Part 2, paragraph 5 (1) of the Accounts and Audit Regulations 2015 imposes a duty on Local Councils to “undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

Internal audit is a key component of the system of internal control. The purpose of internal audit is to review whether the systems of financial and other controls over a council's activities and operating procedures are effective.

At the request of the council I have conducted an Internal Audit review of the council's accounting records in respect of the financial year ended 31 March 2021. I have acted independently and, on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in place during the financial year.

The audit has been carried out in accordance with the council's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions and recommendations have been recorded in the table below.

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## Prioritisation of recommendations

In accordance with good internal audit reporting practice and the Governance and Accountability for Local Councils Practitioners Guide, the recommendations contained in this report have been prioritised. The following 'traffic light' system for the prioritisation of recommendations has been adopted: Page | 3

- Significant weakness in internal control requiring urgent attention.
- Moderate weakness in internal control requiring attention within the current year.
- Minor weakness in internal control, or matters of good practice the council may wish to consider, to be addressed within the current year.

### Distribution List

Chairman of the Council

All Members of the Council

Clerk to the Council

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The findings of the audit are summarised below

	Test	Findings and Recommendations
1	Have appropriate books of account been properly maintained throughout the year?	<p><u>Appropriate accounting records</u></p> <p><b>Findings</b></p> <p>The council maintains a cash book on spread sheets on a Receipts and Payments basis. All payments are cross referenced to numbered invoices.</p> <p>It is comprehensively analysed to provide all the information required for the Annual Governance and Accountability Return (AGAR).</p> <p>A revised Governance and Accountability Guide has been issued by the National Joint Panel this year. In accordance with the revised instructions for Town and Parish Councils the allocation of staff travelling costs is now required to be analysed as "All other payments" and included in box 6 on the year-end Annual Return. It is noted, however, that mileage costs during the year have been included in box 4, staff costs, on the AGAR and not box 6, all other payments, as required.</p> <p>For clarification purposes, the 2020 Governance and Accountability Guide states:  <i>"Staff costs for the purpose of Line 4 include gross salary of employees, employers' national insurance contributions, employers' pension contributions, gratuities for employees or former employees and severance or termination payments to employees. The following are not staff costs for the purpose of Line 4; mileage and other travelling and subsistence allowances, "Homeworking allowance" that is, an allowance paid to cover the extra costs of working from home, the provision of work related training, the reimbursement of childcare or other carers costs, the reimbursement of a staff members subscription to the Society of Local Council Clerks, the provision of office supplies such as laptop, scanner or stationery and consultants and agency staff. The definition of "staff costs" for the purposes of Line 4 may differ from what is, or is not, treated as taxable earnings by HMRC. In as much as this is a change of reporting basis, corresponding figures from the preceding year must be restated in a similar basis."</i></p>

		<p>A year-end reconciliation and interim bank reconciliations have been undertaken during the year. A separate cash book, in the form of spread sheets, is correctly maintained for the Village Hall Trust Fund.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● The council should re-allocate staff mileage costs from box 4, staff costs, on the Accounting statement on the AGAR to box 6, all other payments, for 2020/21 in accordance with revised Government requirements.</li> </ul>
2	<p>Have the council's Financial Regulations and Standing Orders been formally adopted and complied with?</p>	<p><u>Adherence to Financial Regulations and Standing Orders</u></p> <p><b>Findings</b></p> <p>The council's Standing Orders and Financial Regulations were reviewed and approved at the Annual Meeting held on the 19th May 2020. The minutes record that the NALC amendments to the Model Standing Orders, dated July 2018, were approved.</p> <p>The Clerk has confirmed that the council also reviewed and approved its Internal Audit Control document on the 19th May 2020. Minute 16.b records the review of the council's Financial Risk Assessment.</p>
3	<p>Are payment controls effective and VAT properly accounted for?</p> <p>Has the council recorded s137 expenditure separately and is it within the statutory limit?</p>	<p><u>Adequate payment controls</u></p> <p><b>Findings</b></p> <p>I have tested all payments made by the council for both the Parish Council and the Village Hall. I have reviewed the payments for completeness, accuracy, the correct year of account and classification within the accounts.</p> <p>For the sample reviewed all payments were correctly reported to council. It is noted that Village Hall payments are separately recorded in the Village Hall minutes.</p> <p>I have checked and confirmed that all VAT has been correctly identified and recorded in the Parish Council's cash book. During the year the Clerk prepared and submitted a VAT reclaim for the period 1st April 2019 to the 31st March 2020.</p>

		<p>A separate account has been established for s137 and expenditure coded to this account during the year does not exceed the statutory limit.</p> <p>All payments during the year were paid electronically by BACS.</p>
4	<p>Has the council assessed the significant risks in delivering its activities and services and regularly reviewed the adequacy of these assessments?</p> <p>Is insurance cover appropriate and adequate?</p> <p>Are financial controls documented and regularly reviewed?</p>	<p><u>Assessment of significant risks</u></p> <p><b>Findings</b></p> <p>The council maintains a risk management schedule which identifies the risks the council is responsible for. These include: the Village Hall, IT and office, crime prevention, employment of staff, financial management and administration, land and property, newsletters and website, village signs, councillors, meetings and legislation and miscellaneous/general. It was reviewed and re-approved by council on the 19th May 2020.</p> <p>It is noted that the risk schedules identify that existing controls include "regular checks on the maintenance of land and any furniture on site".</p> <p>The Clerk has confirmed that the village notice boards are checked at least every two months when notices are published. Also, the council's seats are in prominent parts of the village and any damage would be reported immediately by Councillors. As these checks are already being carried out by the council it would be useful for them to be formally recorded. Such records are important in the event of a claim from a third party being received by the council.</p> <p>The Clerk has confirmed that the Village Hall has not been used since March 2020 due to the ongoing pandemic. The Chairman confirmed, at the meeting held on the 23rd March 2021, that he regularly inspects the Hall and the defibrillator. Any repairs found to be needed are reported to council and appropriate action taken. The Clerk has also confirmed that regular full inspections, by the Village Hall Committee, "will take place when the Parish Council is able to meet up in person".</p> <p>The council also maintains a Health and Safety Policy and a Village Hall fire risk assessment both of which were also reviewed and approved by the Village Hall Committee on the 19th May 2020.</p>

		<p>I have reviewed the council's insurance policy and the indemnity limits are considered to be adequate.</p> <p>I have reviewed the security of the council's electronic records. The Clerk has confirmed that all electronic data is backed up onto two memory sticks each month. One is held by the Clerk and the other by the Chairman and these are swapped and backed up monthly. The Clerk has confirmed that the council's computer and the memory sticks are not currently password protected. As the council is the custodian of all of its electronic data under the terms of the General Data Protection Regulations (GDPR), the loss of information in the event of fire or theft could cause issues with the Information Commissioners Office and reputational damage if important or sensitive information is lost.</p> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>● The council should record the checks it carries out on other property; damage or faults identified should be noted and any remedial action taken should be recorded.</li> <li>● The council should arrange for the council's computer and memory sticks used for the back-up of the council's electronic data to be password protected or encrypted.</li> </ul>
5	<p>Has the annual precept requirement resulted from an adequate budgetary process?</p> <p>Has progress against budget been regularly monitored and reported and were reserves appropriate?</p>	<p><u>Adequate budgetary process</u></p> <p><b>Findings</b></p> <p>A detailed budget was prepared by the Clerk and used for the calculation of the 2020/21 Precept requirement.</p> <p>The Clerk prepared quarterly budget monitoring reports for the quarters ended 30th June, 30th September and 31st December 2020 and the council minutes of August and October 2020 and February 2021 confirm the quarterly reviews.</p> <p>The council's balances as at the 31st March total £14,139. This comprised earmarked reserves for the Village hall of £4,000, Community Infrastructure Levy funds of £6,130 and a general reserve of £4,009. The general balance represents 63% of the Precept and is considered to be appropriate and prudent for a council the size</p>

		of Bigby Parish Council.
6	<p>Was all expected income fully received in accordance with the current scale of charges, properly accounted for and promptly banked?</p> <p>Were security controls over cash and cash equivalents effective?</p>	<p><u>Adequate income controls</u> <b>Findings</b> Apart from the Precept, the council received income from Lincolnshire County Council for grass cutting, a Council Tax Support Grant from West Lindsey District Council, a small amount of bank interest and "Charibond" income.</p> <p>All documentation presented to audit in support of income received has been agreed to the cash book and the bank.</p>
7	<p>Were petty cash payments appropriate and supported by receipts?</p> <p>Was all expenditure approved and reported to members?</p> <p>Has VAT been correctly accounted for?</p>	<p><u>Appropriate petty cash controls</u> <b>Findings</b> The council maintains a petty cash system which has a float of £50. I have reviewed the receipts provided in support of expenditure and agreed them to the cash book.</p> <p>The VAT element of the receipts has been correctly identified and recorded in the cash book for reclaim purposes.</p> <p>Petty cash expenditure has been reported to council together with all other council payments.</p>
8	<p>Do all employees have contracts of employment with clear terms and conditions?</p> <p>Are salaries to employees and all other payments and allowances paid in accordance with council approvals?</p>	<p><u>Adequate payroll controls</u> <b>Findings</b> The Clerk's contract of employment contains clear terms and conditions. An addendum to the contract was added following a review by the Personnel Committee on the 5th February 2019. The addendum has been signed by both the Clerk and the council.</p> <p>All salary payments during the year agree to the contract addendum, the 2020/21 NJC pay scales and an authorised overtime payment.</p>



	Has PAYE and NI been correctly deducted and paid to HMRC?	<p>Allowances paid have been authorised by the council.</p> <p>The Clerk is subject to PAYE and NI regulations and statutory deductions were correctly paid to HMRC.</p>
9	Is the Asset and Investment Register complete and accurate and reviewed on a regular basis?	<p><u>Appropriate recording of assets</u></p> <p><b>Findings</b></p> <p>The council's Asset Register is in the form of a spread sheet in the recommended format and the basis of valuation is in accordance with current guidelines.</p> <p>A set of Christmas lights purchased during the year has been added to the register at the correct valuation.</p> <p>The register was presented to council and approved on the 19th May 2020.</p>
10	<p>Were bank reconciliations performed on a regular and timely basis?</p> <p>Has a year-end reconciliation been performed and balanced?</p> <p>Have all bank reconciliations been reviewed by an appointed member and evidenced as such?</p>	<p><u>Adequate bank reconciliations</u></p> <p><b>Findings</b></p> <p>A year-end reconciliation and regular reconciliations throughout the year have been undertaken and presented to each council meeting for review and approval. They are signed as prepared by the Clerk and authorised by the Chairman.</p> <p>The reconciliations do not contain any unusual or balancing figures.</p> <p>The reconciliations correctly include all the council's accounts, investments and the petty cash float.</p>
11	Were Accounting statements 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	<p><u>Correct accounting basis and previous Internal Audit Report actioned</u></p> <p><b>Findings</b></p> <p>The year-end statements have been prepared on the correct accounting basis (Receipts and Payments) and, therefore, debtors and creditors have not been included.</p> <p>The statements agree with the cash book and there is an audit trail from underlying financial records to the</p>

	<p>records and where appropriate, were debtors and creditors properly recorded? Has the previous Internal Audit Report been submitted to council and actioned as necessary?</p>	<p>year-end statements.</p> <p>Following the Government's revised guidance on the treatment of staff travelling costs on the Annual Governance and Accountability Return (AGAR) the council will need to note that the guidance states: "<i>In as much as this is a change of reporting basis, corresponding figures from the preceding year must be restated in a similar basis.</i>"</p> <p>The total on the Asset Register as at 31st March 2021 agrees to the declaration in box 9, fixed assets, on the Accounting Statement on the AGAR.</p> <p>The 2020 Internal Audit Report was presented to council on the 19th May 2020.</p> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>● Revised Government guidance in respect of the allocation of staff mileage on the AGAR should be fully observed when completing the 2020/21 year-end returns for the External Auditor.</li> <li>● Boxes 4 and 6 for the comparative figures for last year need to be restated in accordance with Government requirements.</li> <li>● Boxes 4 and 6 for the year of audit also need to be amended to reflect current Government guidance.</li> </ul>
12	<p>If the council certified itself as exempt from an External Audit Limited Assurance Review last year, has it met the exemption criteria and correctly declared itself exempt?</p>	<p><u>Exemption Certificate</u></p> <p><b>Findings</b></p> <p>Section 2, Accounting Statements, of the Annual Governance and Accounting Return Part 2, identified that the council's gross income for last year or gross annual expenditure for the year did not exceed £25,000.</p> <p>The Clerk has confirmed that the exemption criteria identified on the Certification of Exemption for last year were fully met by the council.</p>

13	Did the council publish information on a website/webpage, up to date at the time of the internal audit, in accordance with the Transparency code for smaller authorities?	<p><u>Transparency Code</u></p> <p><b>Findings</b> The Clerk has confirmed that the council has now created a new website with considerably improved accessibility. The Clerk is aware that the previous website, however, did not contain all the information required by the Transparency Code for Smaller Authorities. Work is currently ongoing to ensure that all information required by the code is uploaded onto the new site and maintained up to date in the future.</p> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>● The council should review the information it publishes on its website to ensure that it is fully in accordance with the requirements of the Transparency Code for Smaller Authorities.</li> </ul>
14	Did the council correctly provide, during the summer, the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations 2015?	<p><u>Exercise of Public Rights</u></p> <p><b>Findings</b> I have confirmed by a review of the council's website that, during the summer of 2020, the council correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the 2015 Accounts and Audit Regulations.</p>
15	Did the council comply with the publication requirements for the previous year's AGAR?	<p><u>Publication Requirements</u></p> <p><b>Findings</b> I have reviewed the council's website and confirmed that the Parish Council published the correct documents as required by the Accounts and Audit Regulations 2015, the local Audit (Smaller Authorities) Regulations 2015 and the Transparency Code for Smaller Authorities</p>
16	Has the council met its responsibilities as a Trustee?	<p><u>Trustee responsibilities</u></p> <p><b>Findings</b> The council holds a Lease and Trust Deed for land and the Village Hall in Bigby. The Trust Deed identifies that the lease is for 99 years from the 29th September 1948. I have examined the council's accounts and confirm that no Trust Fund figures have been included in Section</p>

	<p>2, Accounting Statements, on the Annual Governance and Accountability Return.</p> <p>The Charity Commission's website confirms that Bigby Village Hall was entered on the Register of charities on the 15th May 1981 and the Registered Charity number is 511359.</p> <p>I have reviewed the Trust Deed and noted the principal covenants:</p> <ul style="list-style-type: none"> <li>• An annual payment of 26 old pence to be paid on the 1st day of January each year. Currently paying £10.00 per annum.</li> <li>• Pay all taxes and outgoings payable by law.</li> <li>• Maintain the premises in a good state of repair.</li> <li>• Insure the premises for full reinstatement value.</li> <li>• Not to assign or sublet the premises.</li> <li>• Not to cause disturbance to adjoining or neighbouring property.</li> <li>• To use the Village Hall for meetings, lectures, classes and other forms of recreation and leisure time occupation with the object of improving the conditions of life of the inhabitants of Bigby.</li> <li>• Provide the members of the committee administering the Village Hall a report and annual accounts for the previous year.</li> <li>• Keep proper books of account and proper statements of account as prescribed by the Charities Act 1960 and subsequent Charities Acts.</li> </ul> <p>I have reviewed the accounts of the Village Hall and, in my view; the council has acted properly in relation to administering the terms of the Trust Deed.</p> <p>The council correctly maintains a separate cash book, bank account and Asset Register for the Village Hall.</p>
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## Executive Summary

The accounts and governance arrangements of the council have continued to be maintained to a very high standard and the assistance of the Clerk of the council in the completion of this audit was much appreciated.

The internal financial control environment within the council is excellent and the consideration and adoption of the above recommendations will ensure compliance with the External Auditor's requirements and serve to further enhance and strengthen the systems, procedures and governance arrangements already in place.

The Clerk is to be congratulated on the continuing maintenance of very high standards of governance and financial control whilst operating under very difficult circumstances during the current pandemic.

The Internal Audit has been conducted in accordance with the Governance and Accountability for Local Councils – Practitioners Guide 2020.

I confirm that I have no relationship or interest, financial or otherwise, with any member or officer of the council.

Richard Dixon

*Public Sector Audit*

11<sup>th</sup> April 2021

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