

Public Sector Audit

Bigby Parish Council

Internal Audit Report for the year ended 31 March 2022

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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 2022. 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>Findings</p> <p>The council maintains a cash book on spread sheets on a Receipts and Payments basis.</p> <p>It is comprehensively analysed to provide all of the information required for the Annual Governance and Accountability Return (AGAR).</p> <p>It is noted that the wages column in the cash book included gross pay for the first nine months of the year, and net pay, following the deduction of National Insurance, for the last three months. A separate column, that records any statutory deduction from gross pay, and provides a check on the payments of such deductions to HMRC, is included in the cash book. This column has not, however, been used to the record the deduction of National Insurance from gross pay in March 2022.</p> <p>A year-end reconciliation and interim bank reconciliations have been undertaken during the year and presented to each council meeting.</p> <p>A separate cash book, in the form of spread sheets, is correctly maintained for the Village Hall Trust Fund.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The column included in the cash book to record HMRC deductions from gross pay should be used to identify any such statutory deductions. The total of this column, together with the gross pay column, should then be added to provide the final figure for box 4, staff costs, on the year-end Accounting Statement.

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>Findings The council's Standing Orders and Financial Regulations were reviewed and approved at the Annual Meeting held on the 25th May 2021.</p> <p>The council's current Standing Orders do not fully reflect the latest 2020 NALC Model. Also, the Government has announced revised thresholds in respect of tendering for public contracts, which came into effect on the 1st January 2022. The latest 2020 NALC Model, however, has not yet been updated.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● Standing Orders should be amended in the current financial year to fully reflect the latest NALC Model and take account of the Government's revised procurement thresholds.
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>Findings <u>Parish Council</u></p> <p>I have tested a large sample of payments, including all high value items, made by the council.</p> <p>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.</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 2020 to the 31st March 2021.</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>It is noted that the council continues to donate funds to the Parochial Church Council following a recommendation made in the 2018/19 Audit Report, in respect of such expenditure. It is also noted that the purchase of a bench has been coded to s.137. The council has more specific powers to incur expenditure on a public bench and s.137 should not, therefore, be used for such purchases.</p> <p>All payments during the year were paid electronically by BACS.</p> <p><u>Village Hall Trust</u> At the request of the Clerk, I have carried out an audit of all expenditure incurred by the Village Hall.</p> <p>All expenditure has been accurately recorded in the Village Hall's Receipts and Payments Account and agreed to supporting documentation.</p> <p>It is confirmed that Village Hall payments are separately recorded in the Village Hall minutes.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● Section 137 of the 1972 Local Government Act should only be used when the council does not have a more specific power to incur expenditure.
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><u>Assessment of significant risks</u></p> <p>Findings</p> <p><u>Parish Council</u></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, legislation and miscellaneous/general. It was reviewed and re-approved by council on the 25th May 2021.</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>Are financial controls documented and regularly reviewed?</p>	<p>The council now maintains General Asset Inspection sheets to record such inspections, which are undertaken approximately monthly.</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 encrypted.</p> <p><u>Village Hall Trust</u> As recorded above, the Parish Council risk management schedule includes Village Hall events.</p> <p>Village Hall inspection sheets for July, September, October and December 2021 and February and March 2022, have been provided to audit. The sheets identify the areas checked, any issues arising, and actions required.</p> <p>The council maintains a Health and Safety Policy and a Village Hall fire Risk Assessment both of which were reviewed and approved by the Village Hall Committee on the 25th May 2021.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● If the items of Village Hall equipment that failed PAT testing during 2021/22 have not been removed or replaced, immediate action should be taken.
5	<p>Has the annual precept requirement resulted from an adequate budgetary process?</p>	<p><u>Adequate budgetary process</u></p> <p>Findings</p> <p>A detailed budget was prepared by the Clerk and used for the calculation of the 2021/22 Precept requirement.</p>

	<p>Has progress against budget been regularly monitored and reported and were reserves appropriate?</p>	<p>The Clerk prepared periodic budget monitoring reports. They were presented to council in September and October 2021 and February 2022</p> <p>The council's balances as at the 31st March total £11,288. These comprised earmarked reserves for the Village Hall of £4,000, Community Infrastructure Levy funds of £4,030 and a general reserve of £3,258. The general balance represents 50% of the 2022/23 Precept and is considered to be low for a council the size of Bigby Parish Council.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The council should consider increasing its general balances in accordance with the 2021 NALC/SLCC Governance and Accountability Guide for Local Councils.
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></p> <p>Findings</p> <p><u>Parish Council</u></p> <p>Apart from the Precept, the council received income from Lincolnshire County Council for grass cutting, a VAT refund from HMRC and 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> <p><u>Village Hall Trust</u></p> <p>At the request of the Clerk, I have carried out an audit of all income in respect of the Village Hall.</p> <ul style="list-style-type: none"> ➤ All income has been fully and accurately recorded in the Village Hall Receipts and Payments Account. ➤ I have agreed all booking forms to the schedule of fees for the hire of the Village Hall.

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></p> <p>Findings</p> <p><u>Parish Council</u></p> <p>The council maintains a petty cash float of £50 for the purchase of low-value sundry items.</p> <p>Sundry items purchased during the year have been reimbursed by BACS.</p> <p>The VAT element of the receipts has been correctly identified and recorded in the cash book for reclaim purposes.</p> <p>Sundry expenditure has been reported to council together with all other council payments.</p> <p><u>Village Hall Trust</u></p> <p>At the request of the Clerk, I have carried out an audit of all petty cash expenditure in respect of the Village Hall</p> <p>All petty cash payments were supported by receipts and agreed to the cash book.</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>Has PAYE and NI been correctly deducted and paid to HMRC?</p>	<p><u>Adequate payroll controls</u></p> <p>Findings</p> <p>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>I have checked and agreed all salary payments during the year to the contract and addendum, the original and revised 2021/22 NJC pay scales and an authorised overtime payment. A note regarding the analysis of gross pay and statutory deductions in the cash book is included in section one of this report.</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>Findings</p> <p><u>Parish Council</u> The council's Asset Register is in the form of a spread sheet in the recommended format.</p> <p>Three assets purchased during the year have been added to the register. The basis of valuation, however, is not in accordance with current guidelines contained in the 2021 NALC/SLCC Governance and Accountability Guide for Local Councils. Section 5.148 of the guide confirms that "<i>an appropriate and commonly used method of fixed asset valuation for first registration on the asset register is at acquisition cost.</i>" As the council is able to recover the VAT element of purchases, the acquisition cost of assets is the cost to the council, net of VAT.</p> <p>The register was presented to council and approved on the 25th May 2021.</p> <p><u>Village Hall Trust</u> At the request of the Clerk, I have carried out an audit of all petty cash expenditure in respect of the Village Hall</p> <p>An inventory of assets dated August 2016 has been provided to audit. During the year, assets, including a kettle and Vacuum cleaner, have been purchased which do not appear to have been added to the inventory.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● All assets purchased by the council should be recorded in the Asset Register at the acquisition cost, net of VAT. ● The register should be amended, prior to the AGAR being submitted to the External Auditor, to reflect the net cost of the assets purchased during the year and the total amended accordingly.
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		The Village Hall inventory should be checked to ensure that it is up to date and accurately records all assets held by the Village Hall Trust.
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>Findings</p> <p><u>Parish Council</u></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> <p>As a result of issues that have arisen at other Town and Parish Councils it is considered to be good financial management that the respective balances on the accompanying bank statements also be signed/initialled by the Chairman as evidence of the checking of the respective month-end bank balances against the reconciliations.</p> <p><u>Village Hall Trust</u></p> <p>I have reviewed the Association's Income and Expenditure account for 2021/22 and accompanying year-end bank reconciliation.</p> <p>The accounts accurately reflect the transactions during the year, and I have agreed the year-end bank reconciliation to the accounts and bank statements.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The Chairman should sign both the bank reconciliations and respective month-end balances on bank statements as evidence of verification.

11	<p>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 records and where appropriate, were debtors and creditors properly recorded?</p> <p>Has the previous Internal Audit Report been submitted to council and actioned as necessary?</p>	<p><u>Correct accounting basis and previous Internal Audit Report actioned</u></p> <p>Findings</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 year-end statements.</p> <p>As noted in section 9 of this report, the total on the Asset Register requires amendment to reflect the correct valuation of assets purchased during the year. As a result of this, the figure for fixed assets in box 9 of the Accounting Statement, should be amended to agree to the revised Asset Register total.</p> <p>The 2021 Internal Audit Report was presented to council on the 25th May 2021 and the recommendations were noted.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● Box 9, fixed assets, on the Accounting Statement requires amendment, prior to submission to the External Auditor, to reflect the revised total on the Asset Register as at 31st March 2022.
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>Findings</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 council confirmed at the meeting held on the 25th May 2021, minute 12(g), that the exemption criteria identified on the Certification of Exemption for last year were fully met.</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>Findings</p> <p>I have reviewed the council's website and confirmed that the Parish Council published the required information in accordance with the Smaller Authorities Transparency Code.</p>
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>Findings</p> <p>I have confirmed by a review of the council's website that, during the summer of 2021, 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>Findings</p> <p>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>Findings</p> <p>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.</p> <p>I have examined the council's accounts and confirm that no Trust Fund figures have been included in Section 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"> • An annual payment of 26 old pence to be paid on the 1st day of January each year. Currently paying £10.00 per annum. • Pay all taxes and outgoings payable by law. • Maintain the premises in a good state of repair. • Insure the premises for full reinstatement value. • Not to assign or sublet the premises. • Not to cause disturbance to adjoining or neighbouring property. • 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. • Provide the members of the committee administering the Village Hall a report and annual accounts for the previous year. • Keep proper books of account and proper statements of account as prescribed by the Charities Act 1960 and subsequent Charities Acts. <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 and bank account for the Village Hall and holds separate meetings for the Trust.</p>
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Executive Summary

The accounts and governance arrangements of the council have been maintained to a good 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 good and the consideration and adoption of the above recommendations will serve to further enhance and strengthen the systems, procedures and governance arrangements already in place.

The Internal Audit has been conducted in accordance with the Governance and Accountability for Local Councils – Practitioners Guide 2021.

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

Richard Dixon

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21/04/2022

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