
Firsdown 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 system of internal control and for the conclusions to be reported each year in the Annual Governance & Accountability Return.

This report sets out the work undertaken in relation to the 2021-22 financial year, which took place on Monday 25th April 2022.

Internal Audit Approach

In undertaking our 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 Statement of Accounts / Annual Return. Our programme of cover is designed to afford appropriate assurance that the Council has appropriate and robust financial systems in place that 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' as part of the Council's Annual Governance and Accountability Return (AGAR) process, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

Based on the satisfactory completion of our programme of work for the year, we have concluded that the Council has, again maintained adequate and effective internal control arrangements. We are pleased to report that the Clerk/RFO and Members have Noted the single recommendation made in the prior year report. There are two matters arising during our review of the current year warranting formal comment and recommendation. Three recommendations for improvement have been recorded in the main body of this report and in the appended Action Plan.

We understand that the 2021-22 financial year has been challenging for all councils as they start to emerge from the two prior year of restrictions, moving into the post Covid recover phase of operation. We take this opportunity to acknowledge the well managed and smooth operations of the Council during 2021-22 and to note the exemplary quality of records maintained by the Clerk/RFO. We thank her for her assistance during the Internal audit which has ensured the smooth and successful progress of our year-end review process.

We have completed and signed the 'Internal Audit Report', having concluded that the control objectives set out in that Report have been achieved within the financial year to a standard adequate to meet the needs of the Council.

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 the 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 cashbooks or financial ledgers.

The Council operates a single account with Lloyds with detail of transactions on the account recorded in an Excel Workbook with separate spread sheets for receipts and payments. In view of the relatively low number of annual transactions, we consider this to be an appropriate medium to maintain the financial records, which feed into the year-end Annual Return detail.

We have duly checked and agreed detail of all transactions in the spreadsheet cashbook to the corresponding bank statements, invoices and other supporting records for the financial year.

We note that bank reconciliations are undertaken on a quarterly basis and are subject to formal scrutiny by Members during the ordinary meetings of the council also noting the corresponding bank balance. These deliberations are recorded in the Council's Minutes under 'Finance'.

In addition to confirming the accuracy of detail in the spreadsheets, we have also verified the accuracy of detail in the year-end bank reconciliation and accurate disclosure of closing balances in the Annual Return.

Conclusions

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

Review of Corporate Governance

Our objective 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 and that, as far as we are able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation.

We have examined the extant Standing Orders (SOs) and Financial Regulations (FRs) and consider them appropriate for the Council's present requirements, noting last year that the Council had adopted revised SOs in line with the latest NALC model during the financial year to reflect the legislative changes affecting filming and recording of meetings. We are pleased to note the recording of a consistent value of £25,000 in the updated Standing Orders and Financial Regulations, in line with the current EU Regulations on procurement.

We have examined the Council's minutes for the financial year to ensure that no issues either exist currently or are developing that may have an adverse affect on the Council's financial standing: we have also sought to ensure that, as far as we may reasonably be expected to ascertain, no actions are planned or have taken place that may be of an ultra vires nature and place the Council at risk of criticism or possible financial penalty.

Conclusions

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

Review of Payments & VAT

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Payments are supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and/or an acknowledgement of receipt, where no other form of invoice is available;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct analysis of expenditure has been applied in the spread sheet cashbook to invoices when processed; and,
- VAT has been appropriately identified and analysed appropriately in the cashbooks for annual recovery.

Due to their relative low number, we have reviewed all transactions recorded in the cashbook for the financial year, checking and verifying each against the original payment document and payment recorded in the corresponding bank statement. Each document examined was compliant with the Council's own Financial Regulations and Standing Orders and bore clear evidence of scrutiny and appropriate coding and was checked and verified against the entry in the Council's cashbook and the corresponding bank statements.

Conclusion

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

Review of 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 and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks identified in order to minimise the opportunity for their coming to fruition.

It is noted that the Council's Risk Assessment was reviewed by members and readopted, at the Annual Meeting of the Parish Council of the 19th May 2021 under Minute reference 29 ii)/21.

The Council's insurance policy for the 2021-22 financial year is held under a three year agreement concluding on the 5th December 2023. Policy Number RGBDX6962034 with Axa. We have examined the insurance schedule noting that Employer's, Public and Products Liability is in place at £10 million, Hirer's Liability set at £5 million, Data Protection Liability at £1 million, Personal Accident Liability at £1 million, Officials Indemnity at £500,000, Libel & Slander at £500,000, Legal Liability not including Legal Fees at £500,000, Cash Money cover at £250,000, Fidelity Guarantee at £150,000 and Business Interruption at £20,000. This level of cover is considered above that which is appropriate for the Council's present needs.

The Council is responsible for a single Playground at Firsdawn which has been significantly upgraded during the financial year. Currently, members undertake periodic inspections noting any faults at the playground and reporting this to the Clerk. The annual independent playground inspection was undertaken by the Playground Inspection Company during the financial year, submitted to the Clerk and Members for their consideration, with recommendations for remedial works to be undertaken. The report was acted on appropriately and within a reasonable timeframe.

Finally, in this area of our review we note that the Clerk maintains an Internal Control policy so that should the Clerk/RFO be absent for a protracted period, Finance Operations cover could be provided by referring to this document.

Conclusions and recommendations

INSURANCE REQUIREMENTS

The Council's current Insurance Policy seems to be significantly of the Council's requirements. For example: Hirer's Liability cover is in place at £5 million and Cash Money cover at £250,000, however, the Council has no premises which it hires out, does not operate a Petty Cash system and, holds no saleable stock. It would seem prudent for the Clerk/RFO to review the Council's insurance cover requirements with the broker.

R1. The Clerk/RFO should review the Council's insurance cover requirements with the Council's broker at the earliest opportunity.

PLAY AREA

It is a legal requirement for all organisations which own, or are responsible for the maintenance of Playgrounds to maintain them in a safe condition. This requires the managing party to conduct regular visual inspections of all playground equipment, the playground environment, general conditions precinct and environs, fencing and signage, (it is considered 'Best Practice' that the person(s) undertaking visual inspections have attended a Playground Inspectors course run by RoSPA or other qualified training organisation.) The outcome of these inspections MUST be recorded in appropriately designed Playground inspection forms and passed to the Clerk/RFO for retention.

It is a mandatory legal requirement that all inspection reports, including the Annual Independent Inspection report are retained for a period of 21 years. Formally 18 years plus three years, as a person is able to bring a claim for injury in a playground, against the organisation responsible for its maintenance and safe operation, up to their obtaining 21 years of age.

NB: If a child has an accident in a play area, and the managing party cannot prove that it had a reasonable and proportionate Management, Risk Mitigation and Maintenance regime in place, with regular visual inspections and an annual independent inspection, the managing party runs the risk of being found negligent in its duty of care and runs the risk of being the defendant of an unlimited liability claim for damages made against it.

Currently, although the Council's Minutes record the annual independent inspection of the play area, the Council has no Playground Inspection forms in place. or and cannot, provide any clear evidence of an orderly and well managed inspection and maintenance regime. As such, the

Council could be at risk of accusations of neglect, should an unfortunate incident take place and a compensation claim made.

We have noted that the Clerk/RFO has developed a Playground Risk Management Policy which was adopted at Full Council in July 2021, and that the Council is moving towards establishing a formal Playground Management regime.

- R2. *The Clerk/RFO must develop playground inspection forms to be used by any person responsible for conducting playground inspections on behalf of the council (sample report form provided under separate cover). These forms must be retained for the minimum period required by law (this may be undertaken electronically).*
- R3. *The Clerk/RFO and Members should consider providing appropriate playground inspectors training to persons responsible for conducting playground inspections on behalf of the Council.*

Review of Budgetary Control and Reserves

In this area of our coverage, we aim to ensure that the Council has sound procedures in place for the determination of its annual budget and also for monitoring and managing available resources throughout the financial year.

The Council's minutes and supporting documentation provide effective confirmation that a robust Budget setting and Precept determination process has been undertaken and that the Precept for the 2022-23 financial year was formally discussed, approved and adopted by the Council in the amount of £18,710 (£17,600 prior year) at the meeting of the Full Council on the 13th January 2022 under Minute reference 5/22 e).

We note that the clerk provides members with regular detail of budgetary performance throughout the financial year and have reviewed the year-end position with no significant or unanticipated / unexplained variance in existence.

We also note that reserves at the year-end taking account of the year's budget outturn with Total Reserves at 31st March 2022 standing at £20,243 (£14,310 Prior year) with no formally declared Ear Marked Reserves (EMRs). The General Reserve represents just under six-and-a-half months' revenue expenditure at FY 2021-221 levels, sitting only slightly above the upper level the current CiPFA guidance in this area to retain between 3 and 6 months of reserve at prior-year levels of expenditure. We consider this level of retained reserve appropriate for the Council's ongoing requirements.

Conclusions

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

Review of Income

We aim in this area of our review to ensure that the Council has robust systems in place to ensure the identification of all income to which it is entitled and for its subsequent recovery, banking and appropriate recording in the Council's financial records.

The Council has very limited income, primarily the annual precept, occasional grants and donations, and VAT recovery. We have, as indicated above, agreed detail of income banked and interest received, as recorded in the cashbook by reference to bank statements and other relevant supporting documentation.

Conclusions

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

Review of Petty Cash Account

The Council does not operate a petty cash account, any miscellaneous expenses incurred by the clerk being reclaimed each month. Expense claims are subject to the same level of scrutiny as all other payment documents.

Conclusions

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

Review of Salaries and Wages

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. Further, in relation to the 1996 Employment Act that requires that all employees be provided with a formal contract of employment. We are again pleased to note that a suitable document is in place the content of which we reviewed previously and considered appropriate.

We have, as in previous years, checked the basis of the clerk's salary payments for the year, together with relevant tax deductions, which are paid over to HMRC accordingly with no issues identified.

Conclusions

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

Review of the Fixed Asset Register

The Governance and Accountability Manual requires councils to develop and maintain a register of all assets. The Annual Return requires disclosure of the value of assets retained by the Council as at 31st March, annually, with a revision to the reporting detail issued in 2010 that requires asset values to be reported at cost price or, where that value is unknown, the prior year Annual Return value updated to reflect the cost of any new acquisitions or deletions / disposal.

We note that the Council continues to maintain a basic Fixed Asset Register which we have checked and verified with no issues arising. We have confirmed the disclosed Fixed Asset Value disclosed in

Box 9, Section 2 for the 2021-22 financial year in the amount of £43,801 (£42,006 prior year) in line with in-year acquisitions of a new Speed Indicator Device and a new Parish noticeboard.

Conclusions

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

Review of Investments and Loans

It is noted that council maintains a single bank account with Lloyds Bank with no further investments. The Council has no loans either repayable by, or to it, as at the 31st March 2022.

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

Statements of Account and Annual Governance & Accountability Return

The Council's annual Statements of Accounts have been prepared from the basic Microsoft Excel spreadsheet, together with supplementary supporting notes. We have checked and agreed, by reference to the Bank Reconciliations, original Bank statements and other relevant documents, the content of the Statement of Accounts and the supporting notes, detail of which is transferred to Section 2 of the Annual Return.

We have also reviewed the process for identifying and verified the accuracy of year-end debtors and creditors, as disclosed in the Balance Sheet to appropriate supporting documents.

Conclusion

We are pleased to record that no issues arise in this area 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 Governance and Accountability Return assigning positive assurances in all areas.

Finally, we take this opportunity to remind the Clerk/RFO of the requirements 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.

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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 Assessment and Management of Risk		
R1	The Clerk/RFO should review the Council's insurance cover requirements with the Council's broker at the earliest opportunity.	
R2	The Clerk/RFO must develop playground inspection forms to be used by any person responsible for conducting playground inspections on behalf of the council (sample report form provided under separate cover). These forms must be retained for the minimum period required by law (this may be undertaken electronically).	
R3	The Clerk/RFO and Members should consider providing appropriate playground inspectors training to persons responsible for conducting playground inspections on behalf of the Council.	