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Richard Maccabee
Clerk to Batheaston Parish Council

6 July 2021

Dear Richard

BATHEASTON PARISH COUNCIL

Internal audit report - Year ended 31 March 2021

The Accounts and Audit (England) Regulations 2015 (as amended) require all Town and Parish Councils to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

I am bound by the ethical guidelines of the Institute of Chartered Accountants of England and Wales. I confirm that I am independent of the Council.

The internal audit work I have carried out has been planned to enable me to give my opinion on the control objectives set out in the Annual Internal Auditor's Report on the 2020-21 Annual Governance and Accounts Return.

I have complied with the legal requirements and proper practices set out in:

- 'Governance and Accountability for Local Councils – A Practitioners' Guide (England)' 2020
- The Accounts and Audit (England) Regulations 2015 (as amended).

I was appointed as internal auditor to the Parish Council for 2020-21 on 22 September 2020.

My final internal audit review for 2020-21 was on 6 July 2021.

Background

The Clerk commenced employment with the Council on 27 November 2019. He will be studying for the CiLCA qualification.

Batheaston Parish Council has income and expenditure of between £50,000 and £100,000 and is subject to review by the external auditor, PKF Littlejohn. The Council's annual report from the external auditor for 2019-20 highlighted other matters relating to significant weaknesses in financial regulations, bank reconciliations and the updating of certain records, and stated that the Council must ensure that action is taken to address these areas of weakness in a timely manner.

The Council is not a sole managing trustee.

The Council is not required to comply with either Transparency Code as its income and expenditure falls between the thresholds for which either of the Transparency Codes apply.

The Council's accounting records were maintained on Excel for most of the year. The records were recently moved to an accounting software package, AdvantEdge for the year ended 31 March 2021.

Internal audit checks

I have undertaken a series of audit tests on the Council's financial records, vouchers, documents, minutes, policies, procedures and insurance documentation to ascertain the efficiency and effectiveness of the Parish Council's internal control framework. This internal audit report is based on the audit testing carried out at the review.

During this review I checked the following:

- Minutes of Council Meetings
- Policies and procedures
- Bank and cash
- Income and expenditure
- Payroll
- Risk assessment and insurance
- Asset register
- Transparency
- Action taken on the recommendations in this report
- Year-end checks

Findings

Details of good practice noted, my recommendations and other matters to be brought to the Council's attention are set out below.

Good practice

- The Clerk will be studying for the CiLCA qualification
- The Council maintains its books and records on AdvantEdge
- The payroll is operated by an independent external payroll provider
- All eligible employees have either been auto-enrolled in a pension scheme or have opted out in writing

- The Council has taken appropriate action to enable it to continue to meet and function during the Covid-19 pandemic

Recommendations

Minutes of meetings

- The total amount of expenditure approved at each meeting is recorded in the minutes.
- Not all minutes have been approved at the next Council meeting, and they have not all been physically signed and initialled. It is recommended that the Council make provision for the approval and signing and initialling of all minutes as soon as possible.

Policies and procedures

- The Council should re-register with the Information Commissioner's Office (ICO).
- The Council considers documenting the day-to-day procedures that are undertaken by the RFO in order to implement the requirements set out in the Financial Regulations. This will be facilitate the handover of all or any duties to new employees.
- The Council draws up a reserves policy setting out the level of general reserves required, and the amounts of reserves earmarked for particular purposes in the future.

Bank and cash

- Bank reconciliations should be taken to Council meetings for checking by a Councillor on a quarterly basis. The Councillor should ensure that bank reconciliations are being undertaken regularly and are correct. The Councillor should evidence the check by signing and dating the bank reconciliation.
- Direct debits and Standing Orders should be recorded in the cash book on the date they clear the bank. BACS payments should be recorded in the cash book on the BACS transfer date as recorded on the BACS authorisation form, even if the actual payments leave the bank on a different day. Cheques should be recorded in the cash book on the date they are written.

Cash received

- The cash received from the toilets should be collected and counted as close to the year end as possible so that an accurate entry can be made in the accounting records as to the amount of cash in hand at the year end.

Income and expenditure

- Councillors now have sight of supporting documentation for all payments before authorising them for approval, including salaries. Evidence of approval of invoices should be obtained, either by email or some other method if more practical, and recorded on the date that authorisation for payment is given.
- Invoices should be filed together, and organised in such a way that they can be easily located and the date and evidence of authorisation for payment and the and method of payment can be easily checked. I recommend that invoices are filed in order of the date that they are paid, and that the date of payment and evidence of authorisation of payment are recorded on or with the invoice. The invoice details such as supplier, invoice no. invoice date etc should also be recorded in the cash book to make cross checking simpler.

- Payment schedules of expenditure each month should be taken to a Council meeting and written evidence of approval is obtained, at the meeting, by a Councillor. Payment schedules should be filed with the minutes of the meetings.

VAT claims

- VAT has not been reclaimed for a number of years. As recommended in my last TWO reports the Council should submit VAT claims regularly, annually or preferably more frequently. A VAT claim should be made as soon as possible to maximise the three-year time limit before which VAT becomes unreclaimable.

Payroll

- Pension payment arrears are paid over as soon as possible and are paid over regularly in the future

Risk assessment and insurance

- The Council has not reviewed, updated and documented its risk assessment during the year to 31 March 2021. It should review, update and adopt the risk assessment before 31 March 2022
- The Council must ensure that it reviews, updates and adopts the risk assessment annually. Further guidance on risk assessments is available in the Practitioners Guide.

Asset register

- The Council should review and update the asset register at least annually.

Transparency

- The 2019-20 audited AGAR including the audit report is put on the Council's website.
- The minutes of meetings should be published on the Council's website, I would suggest within one month of the meeting.

Other matters to be brought to the Council's attention

Submission to external auditor PKF Littlejohn

AGAR Section 1- The Annual Governance Statement

- The Council will need to consider whether it can give positive responses to all the assurances on the Annual Governance Statement, in particular for the following assertions:
Assertion 1 – the AGAR will not have been approved by the statutory deadline of 30 June 2021
Assertion 2 – the system of internal control is not currently operating effectively
Assertion 5 – the Council has not reviewed, updated and adopted its risk assessment in 2020-21
Assertion 7 – action has not been taken on all of the recommendations made in my internal audit reports
- The Council will need to supply PKF Littlejohn with explanations for the “No” responses and state what action will be taken to address the weaknesses that have been identified.

AGAR Section 2 – The statement of accounts

- The PAYE /NI payments to HMRC are currently included in Box 6, when they should be in Box 4 – staff costs.
- Box 4 should be £26,907, and Box 6 should be £30,982.

Explanations for variances

- Explanations for the variances in Boxes 3 and 6 on section 1 of the AGAR have been drafted by the clerk and I have reviewed them. In my opinion the explanations are adequate to meet the requirements of the external auditor. However as noted above, Boxes 4 and 6 need to be changed an explanation will now be required for Box 4, and explanation for Box 6 will need to be revised.

Annual Internal Audit Report

The Annual Internal Audit Report was completed with positive responses to all relevant objectives with the exception of the following objectives:

- A - The books and records were not properly maintained throughout the year, due to a change of clerk, and the subsequent handover period.
- B - Not all expenditure was properly authorised by the Council during the year.
- C - The Council did not review, update and adopt the risk assessment during the year.
- H - The asset register was not maintained throughout the year.
- N - The 2019-20 audited AGAR was not on the Council website.

Objectives F, K, L and O are not relevant to Batheaston Parish Council and have not been covered.

Conclusion

Based on the tests I have carried out, in my view, the internal control procedures require improvement, and are currently not adequate to meet the needs of Batheaston Parish Council.

Next Steps

This report should be noted and taken to the next meeting of the Parish Council. The Council should decide what action will be taken on the recommendations I have made.

Kind regards

Yours sincerely



Bridget Bowen FCA

Internal auditor