

Annual Internal Audit Report 2021/22

BRERETON & RAVENHILL PARISH COUNCIL

www.breretonandravenhill.co.uk

During the financial year ended 31 March 2022, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2021/22 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.		✓*	
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.		✓*	
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.		✓*	
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	NO PETTY CASH KEPT ✓		
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.		✓*	
I. Periodic bank account reconciliations were properly carried out during the year.		✓*	
J. Accounting statements prepared during the year were 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 debtors and creditors were properly recorded.		✓*	
K. If the authority certified itself as exempt from a limited assurance review in 2020/21, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2020/21 AGAR tick "not covered")			✓
L. The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements		✓*	
M. The authority, during the previous year (2020-21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).	✓		
N. The authority has complied with the publication requirements for 2020/21 AGAR (see AGAR Page 1 Guidance Notes).		✓*	

O. (For local councils only)	Yes	No	Not applicable
Trust funds (including charitable) – The council met its responsibilities as a trustee.			✓

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

SEE THE ATTACHED AUDIT REPORT SUPPLEMENT

Date(s) internal audit undertaken

Name of person who carried out the internal audit

25/04/2022

23/09/2022

Alan Toplis - Toplis Associates Ltd

Signature of person who carried out the internal audit



Date

26/09/2022

*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned; or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).

Brereton & Ravenhill Parish Council

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(This document is a supplement to page 3 of 6 of the Annual Governance and Accountability Return ("AGAR") 2021/22- Part 3 and is intended to be read and published with that document). Copies of this document must be displayed on web sites and notice boards with the AGAR and forwarded to the External Auditor.

Background to the Audit. Brereton & Ravenhill Parish Council ("the Council") have made their Annual Return in extremely extenuating circumstances and it is a credit to the Council that through the considerable efforts of staff and councillors who have found themselves thrust into roles with which they were unfamiliar that this annual return has been completed albeit late.

Early in the fiscal year under audit the councils Clerk/RFO ("Responsible Finance Officer") (who had been in post for most of the time since the council was founded in 1988) suddenly resigned due to serious health problems. As a temporary measure the Parish Hall caretaker was invited to carry out the Finance function with supervision in addition to his normal duties. Regrettably the outgoing Clerk died suddenly in November 2021 leaving the finance function without direct guidance.

The council immediately set about recruiting a new full time Clerk and as a temporary measure engaged a locum Clerk to run the normal democratic functions (but not the finance function). The role of Clerk to the various committees (some with delegated powers) and the Village Hall Bookings is carried out by the late Clerks spouse. A replacement Clerk was sought and commenced work in early 2022 but resigned at very short notice prior to the fiscal year end leaving the councillors to call and clerk meetings sometimes without proper notice being posted on their website, a situation which they recognise with regret.

The council is now in the process of recruiting a new Clerk and intends to continue to staff the finance function by the caretaker/finance officer (as RFO) and the Village Hall Bookings Clerk. The new Clerk (when recruited) will carry out the normal democratic functions and the council will decide how to delegate the clerking of the various committees.

The council are fully aware that over the recent past a number of their policies and procedure have fallen out of line with currently acceptable practice and legislation. With this in mind they have initiated a complete root and branch Governance and Accountability Audit (aligned to the JPAG Practitioner Guide, the Local Government Act and other relevant legislation and best practice) and it will prioritise and implement its recommendations. The council and its staff are taking this matter seriously.

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Internal Control Objectives

Internal Control Objectives (as per page 3 of the accompanying AGAR). Headings in *Italics* are a direct copy of the objectives specified in the AGAR

A. Appropriate accounting records have been properly kept throughout the financial year.

1. Whilst a Cash Book is maintained by the RFO it is less than conventional, is only made up post event from the bank statements for many of the transactions and does not lend itself to easy reconciliation;
2. Income from rentals is only recorded when it appears on a bank statement;
3. Because of its inherent design and maintenance routines any reports, such as budgetary, VAT and statutory reporting require manual extraction and retyping with no inherent integrity controls;
4. No end of year receipts and payments accounts and balance sheet can be produced without manual extraction. The only accurate end of year accounts considered by the council will be the AGAR;
5. The current system does not meet the requirements of HMRCs Making Tax Digital ("MTD") or even the requirements of VAT126 (where the council to decide to de-register). MTD is now a legal requirement for all VAT registered bodies.

RECOMMENDATION.

The council should both adopt a proven design and build an MTD interface or more preferably consider moving immediately to one of the simpler computer packages available on the market. I have informed the council that I am happy to arrange reference visits to other local councils using either proven manual or computer packages. I do not believe that the RFO has the time or knowledge to carry out a redesign of the existing spread sheet records.

Either route to implementation should be backdated to 1st April 2022.

B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

1. The councils Financial Regulations are out of date and have not been revised since before 2014. They bear no ratification date;
2. The councils Standing Orders are out of date (last updated 2014) and do not match current practice. They bear no ratification date;
3. The councils Code of Conduct is not displayed on the web site;
4. The council publishes its planned meetings throughout the year and publishes calling notices and agendas on its noticeboards but does not consistently display them on its website. See my comments under Internal Control Objective L 3;
5. Meetings have been clerked by councillors who have continued to vote while acting as Clerk;
6. The council have assured me that all governance documents are ratified at the APCM each year but were unable to provide a signed minute during the audit year to that effect;
7. It has been a practice during the year to present a schedule of payments (but not receipts) to the Finance Committee for approval and for the schedule to be then presented to the full council for endorsement. There is considerable evidence that payments were routinely made before Finance Committee approval. Cheques were properly signed and counterfoils evidenced but payment before committee or council approval removes the councils control of expenditure;
8. Payments made by direct debit are only reported in the month following their payment (i.e. when they appear on the next bank statement) thereby rendering any budgetary reports inaccurate;
9. Monthly payment schedules are attached to the minute book but are not published on the web site removing any transparency;

10. I am assured that authorising councillors are aware that it is their responsibility to detect inaccuracies and fraudulent transactions;
11. VAT returns are extracted manually from the "cash book" spreadsheet and claims made quarterly. There are no vatable outputs although the council is VAT registered;

RECOMMENDATIONS

1. Financial Regulations produced by the National Association of Local Councils ("NALC") in 2019 be must be adopted with suitable amendments as recommended by NALC and these should then be implemented immediately;
2. Procedures in Financial Regulations to be properly observed;
3. All governance documents to be ratified annually and published on the councils web site with ratification date clearly shown (see also recommendation under Internal Control Objective M);
4. A register of direct debit arrangements must be drawn up and reported as a payment in the month that they will arise. The council must be aware of its commitments to suppliers;
5. In order to facilitate a flow of payment schedules between the Finance Committee and the meeting of the full council consideration be given to realigning the monthly meeting schedule. I discussed this at the audit and recognition was given to this recommendation.

C. The authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

1. The council has taken considerable trouble to carry out a full Risk Assessment however:
 - a. There is no evidence that it has been recently reviewed and revised;
 - b. The schedules are not published on the council's web site or embedded in the council's minutes.

D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored and reserves were appropriate.

YES

E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

YES

F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT properly accounted for.

Not covered. No petty cash kept.

G. Salaries to employees and allowances to members were paid in accordance with the authorities approvals, and PAYE and NI requirements were properly applied.

YES

H. Asset and investments registers were complete and accurate and properly maintained.

1. An asset register was kept but
 - a. Totals do not correspond to the AGAR Box 9 for 2021;

- b. The totals and entries in box 9 for 2022 do not correspond to the current insurance policy;
 - c. The amount insured on the council's insurance policy does not correspond to the acquisition values (let alone a reasonable replacement value). I therefore conclude that the council's assets appear to be under insured.
2. The council's largest single asset, the Village Hall, is leased to the Council on a peppercorn rent. Insurance of the property (but not its contents) is billed annually to the council by the lessors who are responsible for its insurance.

RECOMMENDATION

As a matter of priority the council should verify the veracity of the asset register, ensure that acquisition and insurance values are entered and are correct. The revised register should then be submitted to the insurers (Zurich Insurance) for verification that the cover is adequate

I. Periodic bank account reconciliations were properly carried out during the year.

1. The only bank reconciliation which has veracity is the year end reconciliation submitted with the AGAR
2. Monthly "Reconciliations" were not reported monthly in the council's minutes making it impossible for councillors to detect any irregular activity;
3. An estimated bank balance was reported to the council on a monthly basis. This information was only as accurate as the last bank statement and did not include consideration of uncashed cheques of unbanked receipts.

J. Accounting statements prepared during the year were 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 debtors and creditors were properly recorded.

1. Accounting statements do agree to the "cash book" but as this is inaccurate at any one time other than the year end (see Internal Control Objective A above) they are not on a correct accounting basis as defined in the JPAG Practitioners Guide;
2. Debtors at the year-end are not routinely reported to the council;
3. The only end of year accounting statement which will be presented to the council is the AGAR. There is no intention to present a formal Receipts and Payments Account or a Balance Sheet.

K. If the authority certified itself as exempt from a limited assurance review in 2020/21, it met the exemption criteria and correctly declared itself exempt

Not applicable

L. The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements.

1. The council does have a web site on which it attempts to publish the majority of its documents. The extent of document published does not meet the requirements of the Transparency Code 2015;
2. The web site has a number of deficiencies. The External Auditors report for 2021 was not on the web site and when requested the council were unable to produce a full copy of the 2020/21 AGAR;

3. I am informed the staff and councillors believe that they have submitted all relevant documents to the outside body who maintain the website. They accept that the updating is not routinely checked;
4. It is unclear if the council are aware that any deficiencies in the display of statutory documents are considered to be entirely their responsibility even if the web site is maintained by a third party;
5. Council staff are unable to update the web site themselves;
6. Since 2018 it has been a legal requirement that all public sector (incl. parish and town councils) web sites must have an up to date Accessibility Statement. This must be displayed in a prominent place on the home page. The council's web site does not have a clearly accessible statement on its home page and I have been unable to find one elsewhere on the web site.

RECOMMENDATION

That the council should review its web site and attempt to add any missing documents immediately. In the long term a more user friendly web site which the council can maintain themselves must be the councils aim. If the council would like a list of other parish council's web sites to review I will be happy to supply a list.

M. The authority during the previous year (2020-21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).

Yes

N. The authority has complied with the publication requirements for the 2020/21 AGAR

1. It is a requirement of the Accounts and Audit Regulations 2015 that the council must display certain documents on its web site. A list of the required documents and the dates by which they must be displayed is included on the front page of the AGAR. Section 3 – External Auditor Report and Certificate is included in the list. The External Auditors Report was never displayed.

O. Trust Funds (including charitable) – The council met its responsibilities as a trustee.

Not applicable

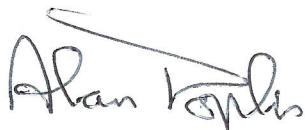
Other matters requiring the Council's attention

1. I have found that your council are deficient in its knowledge of the latest legislation on a number of matter which would normally be communicated to a council through its membership of NALC of more frequently through a country association such as the local Staffordshire Parish Councils Association which embodies NALC membership. You have responded that you have members of the council who are members of NALC or are officers within that organisation and they are the conduit for such information. Given that you were not even aware of even such major changes as the 2019 Finance Regulations revision and that LTNs are being issued or revised at the rate of 1 per month I do feel that your source needs to

be firmed up. If you wish to continue to use you current contacts the flow of information must be formalised.

2. My overriding short term concern in terms of Governance for your council is the lack of a properly trained Clerk. If as you have indicated you decide to appoint an inexperienced Clerk I recommend that he/she is sent immediately on the locally run one to one SPCA New Clerks training course. This course is open to non-members.
3. My overriding long term concern in terms of Financial Administration for your council is that you RFO does not have the tools or access to knowledge to enable him to execute the role properly. Given that the RFOs background is not in a finance function I do feel that an accelerated exposure to the requirements of our sector would be of significant benefit. With this in mind I would ask that your council should sponsor the RFO to take the Society of Local Council Clerks course leading to the certificate "Financial Introduction to Local Council Administration". This is an on-line self-paced course which unlocks a better understanding, particularly to those who are new to the sector, of how local authority accounting operates and covers all aspects of the financial year over five modules culminating in a final assessment. The course is open to non-members. I am able to put you in contact with a mentor who could work alongside him during the course.

Signed:

A handwritten signature in black ink, appearing to read 'Alan Hopkin', with a long, sweeping horizontal line above it.

Internal Auditor – Brereton & Ravenhill Parish Council

Date: 26 September 2022