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26 November, 2021

The Parish Clerks

Bembridge Parish Council

5 Foreland Road

Bembridge

Isle of Wight

PO35 5XN

Dear Jacqui and Mark

Interim Internal Audit Report

Bembridge Parish Council – April 2021 to October 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. We confirm that we are independent of the Council.

The internal audit work we have carried out has been planned to enable us to give our opinion on the control objectives set out in the Annual Internal Auditor's Report on the 2021-22 Annual Governance and Accounts Return.

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

- 'Governance and Accountability for Local Councils – A Practitioners' Guide (England)' 2021
- The Accounts and Audit (England) Regulations 2015 (as amended).

Bembridge Parish Council has income and expenditure of between £200,000 and £300,000 and is subject to review by the External Auditor, PKF Littlejohn. The Council has not yet received the final External Audit Certificate and Conclusion Notice for 2018/2019 to 2020/2021. *(Audit Note: The External Auditor continues to consider the objections raised on the accounts for 2018/2019 and will not issue a Conclusion of Notice Certificates for these years until their review of the objection is completed. We understand that the External Auditor continues to ask for further information but has indicated that they are now close the finalising the review. It is hoped that the challenge work on the objection will be concluded and finalised by the External Auditor by the end of financial year 2021/2022).*

It is good practice for the Council to comply with the Local Government Transparency Code 2015.

The Parish Clerks have provided view access to the Scribe Software for the period April 2021 to September 2021 to support the current financial management position of the Council.

The updated Coronavirus legislation required Council to make arrangements for Council meetings to be held face to face after the 7 May 2021. Although we noted that the Parish Council continues to retain full functionality since March 2020, we have noted that the Council met remotely in June 2021. This also applied to the Planning meetings held in May 2021 to August 2021. *(Audit Note: We have discussed this issue with the Parish Clerks and agreed that where decisions were taken at those meetings these should now be ratified at the next face to face meeting of the Council or Committee. This will ensure that decisions taken at the remote meetings after the 7 May 2021 are approved in line with the current requirements of the updated Coronavirus legislation).*

We 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 visit.

- Minutes of Council Meetings
- Policies and procedures
- Bank and cash
- Petty cash
- Investments
- Income and expenditure
- VAT claims
- Insurance
- Budgets and Reserves
- Agreements for the hire of Parish Council facilities
- Payroll
- Transparency of the Council website.

Findings

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

Good practice

- The Council maintains its books and records on Scribe software
- The Clerks are aware of the requirements of GDPR
- The Council is registered with the ICO
- Details of total payments authorised at meetings are recorded in the Minutes
- All records were up to date and easy to follow
- The budgeting process is detailed and thoroughly monitored throughout the year
- Bank reconciliations are carried out promptly each month and were accurate
- The Parish Council takes an active scrutiny role
- VAT claims are appropriate and made regularly
- Payroll information is calculated correctly, showing appropriate deductions for PAYE, National Insurance and Pension Contributions
- Income was traced and correctly recorded and accounted for in the financial ledger
- Sales Invoices are raised and recorded appropriately with the correct details.
- Quotation processes are appropriate to the requirements recorded in Financial Regulations
- The Council remain compliant with the requirements of the Transparency Code 2015
- The Website Accessibility Statement is displayed on the Council Website.

Recommendations

Insurance

- The Fidelity Guarantee for the Parish Council should be reviewed and increased to £400,000 to ensure that it is sufficient to cover the total cash reserves held in the Councils bank accounts.

Other matters to be brought to the Council's attention

- We are pleased to report that the Council have implemented a set benchmark sum of £500 that been introduced to record items on the Asset Register as recommended in our previous Internal Audit Report 2020/2021. should be set for items valued over £500.
- We have noted the Earmarked Reserves and Capital Account position of the Council for 2021/2022. We discussed the current position going forward and planned use for 2022/2023. It was suggested to the Clerks that balances of Capital Asset Grant monies should only be spent on capital projects and that earmarked asset maintenance money spent on works to parish assets, buildings and land. Consideration should also be given that capital money can be used for works on assets going forward.
- The Sale Invoice to Bembridge Cricket Club for £256.00 dated 06 July 2021 should be followed up as an outstanding debt.
- On checking the current contract of employment information for the Clerks it is noted that their current scale point position is pro rata on NJC Salary Scales LC2 (Point 28). We have checked these details with the NALC/SLCC Job Evaluation Scheme Joint Agreement on Terms and Conditions. It is our opinion that the Council should reassess whether the Clerks can progress through to NJC Salary Scale LC2 (Point 32) taking into account their profile satisfies the above substantive benchmark range.
- We are aware that Performance Management review have yet to take place with the Clerks for 2021/2022. Consideration should be given to allow the Parish Clerks to progress in line with similar

sized Parish Councils with progression to point 32 on the LC2 scale subject to satisfactory annual performance management reviews from 2022/2023.

- It should be noted that the External Auditor has highlighted in 2020/2021 that any authority which receives income in respect of an insurance claim against expenditure during the year should not account for it as a receipt but should be netting it off against the relevant expense. Whilst the Practitioners' Guide is silent on the matter, the External Auditor's view is that the true cost to the authority should be shown on a net basis. Accounting on a gross basis inflates the gross income and gross expenditure of the authority and can push the authority into a higher fee band than it would otherwise be in.
- The Council have provided evidence of the posting date for the Exercise of Public Rights in 2021 and will be able to tick "Yes" to Assertion 4 on Section 1 (Governance Statement) of the AGAR 2021/2022 to comply with the requirements of the Accounts and Audit Regulations 2015. We will also be able to tick "Yes" to Control Objective M on the Annual Internal Audit Report 2021/2022.
- We note that the risk assessment 2021/2022 was approved by full Council on the 16 June 2021. Subject to further ratification by the Council as per the need for re-approval at the next Council meeting, we are satisfied that the Council can tick "Yes" to Assertion 5 on Section 1 (Governance Statement) of the AGAR 2021/2022 to comply with the requirements for the External Auditor. We will also tick "Yes" to Control Objective C on the Annual Internal Audit Report 2021/2022.
- As a reminder the Council will need to review and approve the Asset Register. This will need to be Minuted at a Full Council Meeting by 31 March 2022. The Council can tick "Yes" to Assertion 6 on the Annual Governance Statement on the AGAR 2021/2022. Once this has been approved, we will be able to tick "Yes" to Control Objective H on the Annual Internal Audit Report 2021/2022.
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Conclusion

Based on the tests we have carried out at this Interim Internal Audit visit, in our view, the internal control procedures in operation are adequate to meet the needs of Bembridge Parish Council except:

- where recommendations have been made in this report; and
- where decisions taken at remote meeting after the 7 May 2021 need to be ratified the next Council and Committee meetings.

Next visit

The next internal audit visit has been arranged for **Tuesday 12 April 2022**.

At this visit detailed checks will be carried out on:

- Minutes of Council Meetings
- Bank and cash
- Investments
- Income and expenditure
- VAT claims
- Asset register
- End of Year Procedures

Next Steps

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

Tim Light FMAAT and Paul Reynolds FMAAT
Internal auditors