

MUCH HADHAM PARISH COUNCIL – REVIEW OF EFFECTIVENESS OF INTERNAL CONTROLS 2020/21 – MEETING 4 MAY 2021

This document provides the evidence base to enable the Parish Council to correctly determine whether it has had the proper controls in place for the financial year. The internal control elements have been extracted from the Annual Governance Statement, section 1 of the Annual Governance and Accountability Return (AGAR).

In determining the evidence in place for the internal control elements, the Practitioners' Guide to Proper Practices, issued in March 2020 by the Joint Panel on Accountability & Governance, was followed.

	Internal control element	'Yes' means	PC answer	Evidence base
1	We have put in place arrangements for effective financial management during the year, and for the preparation of accounting statements.	Prepared its accounting statements in accordance with the Accounts and Audit Regulations	Yes	<p>The Parish Council approves its budget and determines the precept on an annual basis at the January meetings. For 2020/21, minute reference is 20/11(iii) but for during the year, for 2021/22, the minute reference is 21/11(iii). When approving the budget, the level of general balance held is considered, in conjunction with the forward financial plan.</p> <p>At each meeting, the Parish Council receives a financial statement which shows the up to date financial position and a comparison of spending against the budget set. If required, action is taken. During the year, a financial appraisal was undertaken in order to progress the Parish Lighting Project via a PWLB loan.</p> <p>The Parish Clerk is the Responsible Financial Officer (RFO). She has put in place effective systems of internal financial controls to ensure that all financial transactions are accurately and promptly recorded in the electronic cashbook. Cashbook entries are properly supported and are the basis of the financial monitoring during the year, and the production of the financial statements. Bank reconciliations are prepared promptly each month and at the 31st March. Cllr Mrs J Liversage has reviewed the reconciliations for September and March and found no issues. These reviews have been evidenced on the reconciliations.</p> <p>The Parish Council has no investments.</p> <p>As mentioned above, the financial statements are prepared from the cashbook. The audit trail from the cashbook to statements is clear and easy to follow. The additional supporting notes are evidence based. Clear links are provided on a copy of the summary receipts and payments account to the accounting statements in the AGAR.</p> <p>Earmarked reserves are maintained to support projects and smooth the peaks and troughs of non-routine maintenance work.</p> <p>Internal Audit concluded that these controls were in place during their review for 2020/21.</p>

	Internal control element	'Yes' means	PC answer	Evidence base
2	We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	Made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.	Yes	<p>The Parish Council has up to date Standing Orders (SO's) and Financial Regulations (FR's) in place. Both documents were subjected to a detailed review during 2018, as revised national models were issued, and the updated documents were approved 3 July 2018 (Minute 18/115) and are available on the Parish Council's website. No indications received during 2020/21 to indicate that SO's and FR's needed updating in the current year. SO's and FR's have been adhered to. Note – Brexit did not impact on the Parish Council, but the EU related elements of SO's and FR's will be addressed during 2021/22.</p> <p>As highlighted in the previous section, the RFO has put in place effective systems of internal financial controls. Majority of the income is directly credited to the bank account. For most of the year, majority of payments were made by cheque, with a two-signatory system operating for signing cheques. Online banking was implemented for the last quarter of the year and the Parish Council approved the authorised signatories. Online payments authorised by two signatories following review of scanned documentation. There is no credit or debit card and no petty cash.</p> <p>The Parish Clerk is the only employee and she is properly paid, and all other employment duties have been complied with.</p> <p>Arrangements for VAT are in place. VAT paid is only included in the reclaim if it is supported by a VAT invoice. VAT reclaims for 2018/19 and 2019/20 were received on 7th April 2020 and VAT reclaim for 2020/21 was submitted on 5th April 2021.</p> <p>The Parish Council has a fixed asset register, but the values thereon are currently a mix of those required for insurance purposes and cost. The RFO is still seeking the correct financial information to record on the register. Assets are properly maintained, and the 2 largest assets are managed on the Parish Council's behalf by independent charities.</p> <p>The Parish Council has a PWLB loan that was arranged in May 2015, for 20 years. Borrowing approval was obtained at the time for this loan and the annual repayments are included in the precept. During the year, borrowing approval was given for an additional loan for the Parish Lighting Project.</p> <p>This document is the review of effectiveness of internal controls that is required. Internal Audit concluded that these controls were in place during their review for 2020/21.</p>

	Internal control element	'Yes' means	PC answer	Evidence base
3	We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.	Has only done what it has the legal power to do and has complied with Proper Practices in doing so.	Yes	The Parish Council is controlled by statute and can only make decisions if it has the power to do so. The powers available to a Parish Council are detailed in Appendix A. Decisions, including financial decisions, were made in accordance with a proper power to do so. Herts Association of Town and Parish Councils (HAPTC) issue regular bulletins which contain, when applicable, legal matters relevant to parish councils. The Parish Clerk reviews these bulletins to keep abreast of current issues, taking action when necessary.
4	We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	During the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.	No	This relates to 2019/20 financial year. As the 2019/20 AGAR was completed late, the public inspection period did not comply with the requirements of the Accounts and Audit Regulations 2015. In addition, the annual return was not published in accordance with the Regulations. External Audit has drawn attention to these issues in its 2019/20 audit report (see Appendix B). With the approval and publication of the draft 2021/22 AGAR in May 2021, this issue will be rectified. The conclusion of the audit was properly notified, following the receipt of the interim report and the audited annual return.
5	We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	Considered and documented the financial and other risks it faces and dealt with them properly.	Yes	Risks facing the Parish Council are assessed on an annual basis and the assessment includes, for the risks identified, the controls in place to manage that risk or the action required to manage the risk. In effect, the risk assessment considered by the Parish Council at its meeting on the 3 rd March 2020 relates to the current financial year of 2020/21. (Minute 20/41). To demonstrate that the risk assessment is an annual process, the revised risk register was approved by the Parish Council during 2020/21 at its meeting on the 30 th March 2021. (Minute 21/55)

	Internal control element	'Yes' means	PC answer	Evidence base
6	We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	Arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.	Yes	<p>The Parish Council's Internal Audit (IA) function is provided by Auditing Solutions Ltd. This company has been in existence since 2003 and uses qualified consultant staff to undertake internal audits. Given the size of the Parish Council, an annual IA review is undertaken which covers the whole financial year.</p> <p>The review undertaken during the year was undertaken remotely due to COVID-19 during October 2020, relating to the 2019/20 financial year, and the conclusion was that the Parish Council had again maintained more than adequate and effective internal control arrangements.</p> <p>The review for 2020/21 was again undertaken remotely due to COVID-19 during April 2021 and the conclusion was that the Parish Council had again maintained more than adequate and effective internal control arrangements.</p> <p>Full conclusions for both years referred to above are detailed at Appendix C.</p>
7	We took appropriate action on all matters raised in reports from internal and external audit.	Responded to matters brought to its attention by internal and external audit.	Yes	<p>Internal Audit (IA)</p> <p>The IA report for 2019/20 contained no recommendations therefore no action required. The IA report was considered at the 3rd November 2020 Parish Council meeting.</p> <p><u>Minute extract 20/171(i)</u>: The Clerk highlighted that the annual Internal Audit review had been completed for the last financial year, 2019/20, and the conclusion was that the Parish Council had the expected controls in place and no recommendations were made. Page 3 of the AGAR 2019/20, completed by Internal Audit, and the supporting detailed report were noted.</p> <p>External audit (EA)</p> <p>EA raised that the Parish Council's Annual Return for 2019/20 had been published late and that proper provision had not been made for the exercise of public rights.</p> <p><u>Minute extract 21/71(ii)</u>: See Appendix B</p> <p>As mentioned earlier, the approval and publication of the draft 2021/22 AGAR in May 2021, will rectify the issues raised.</p>

	Internal control element	'Yes' means	PC answer	Evidence base
8	We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the authority and, where appropriate, have included them in the accounting statements.	Disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.	Yes	The Parish Council has disclosed everything it is required to do so in its financial statements. There have been no events taking place after the year end which impact on the financial position reported in the financial statements.
9	Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	Has met all of its responsibilities where it is a sole managing trustee of a local trust or trust.	Not applicable	Not applicable

WHAT CAN LOCAL COUNCILS DO?

Function	Powers & Duties	Statutory Provisions
Allotments	Powers to provide allotments. Duty to provide allotment gardens if demand unsatisfied and if reasonable to do so	Small Holding & Allotments Act 1908, s.23
Borrowing money	Power for councils to borrow money for their statutory functions or for the prudent management of their financial affairs	Local Government Act 2003, Schedule 1, para. 2
Baths (public)	Power to provide public swimming baths	Public Health Act 1936, s.221
Burial grounds, cemeteries and crematoria	Power to acquire and maintain Power to provide Power to contribute towards expenses of cemeteries	Open Spaces Act 1906, Sections 9 and 10 Local Government Act 1972, s.214 Local Government Act 1972, s.214 (6)
Bus Shelters	Power to provide and maintain shelters	Local Government (Miscellaneous Provision) Act 1953, s.4
Byelaws	Power to make byelaws for: Places of public recreation Cycle parks Public swimming baths Open spaces and burial grounds Mortuaries and post-mortem rooms	Public Health Act 1875, s.164 Road Traffic Regulation Act 1984, s.57(7) Public Health Act 1936, s.223 Open Spaces Act 1906, s.15 Public Health Act 1936, s.198
Charities	Duties in respect of parochial charities Power to act as charity trustees	Charities Act 2011, ss.298-303 Local Government Act 1972, s.139 (1)
Clocks	Power to provide public clocks	Parish Councils Act 1957, s.2
Closed Churchyards	Powers to maintain	Local Government Act 1972, s.215
Commons and common pastures	Powers in relation to Inclosure, regulation, management and provision of common pasture	Inclosure Act 1845; Small Holdings and Allotments Act 1908, s.34
Conference facilities	Power to provide and encourage the use of facilities	Local Government Act 1972, s.144
Community centres	Power to provide and equip buildings for use of clubs having athletic, social or educational objectives	Local Government (Miscellaneous Provisions) Act 1976 s.19
	Power to acquire, provide and furnish community buildings for public meetings and assemblies	Local Government Act 1972, s.133

Function	Powers & Duties	Statutory Provisions
Crime prevention	Power to spend money on crime detection and prevention measures	Local Government and Rating Act 1997, s.31
Ditches and ponds	Power to drain and maintain ponds and ditches to prevent harm to public health	Public Health Act 1936, s.260
Entertainment and the arts	Provision of entertainment and support of the arts	Local Government Act 1972, s.145
Environment	Power to issue fixed penalty notices for litter, graffiti and offences under dog control orders	Clean Neighbourhoods and Environment Act 2005, s.19, s.30, Part 6
General Power of Competence	Power for an eligible council to do anything subject to statutory prohibitions, restrictions and limitations which include those in place before or after the introduction of the general Power of competence	Localism Act 2011, ss.1-8
Gifts	Power to accept	Local Government Act 1972, s.139
Highways	<p>Power to repair and maintain public footpaths and bridle-ways. Power to light roads and public places</p> <p>Power to provide parking places for vehicles, bicycles and motor-cycles. Power to enter into agreement as to dedication and widening. Power to provide roadside seats and shelters. Power to consent to a local highway authority stopping maintenance of a highway or stopping up/ diverting a highway Power to complain to district council about the protection of rights of way and roadside waste Power to provide certain traffic signs and other notices Power to plant trees and shrubs and to maintain roadside verges</p>	<p>Highways Act 1980, ss.43, 50 Parish Councils Act 1957, s.3; Highways Act 1980, s.301 Road Traffic Regulation Act 1984, ss.57, 63</p> <p>Highways Act 1980, ss.30, 72 Parish Councils Act 1957, s.1 Highways Act 1980, ss.47, 116</p> <p>Highways Act 1980, s.130</p> <p>Road Traffic Regulation Act 1984, s.72 Highways Act 1980, s.96</p>
Honorary titles	Power to admit to be honorary freemen/ freewomen of the council's area persons of distinction and persons who have, in the opinion of the authority, rendered eminent services to that place or area.	Local Government Act 1972, s.249
Investments	Power to participate in schemes of collective investment	Trustee Investments Act 1961, s.11
Land	<p>Power to acquire by agreement, to appropriate, to dispose of Power to accept gifts of land</p>	<p>Local Government Act 1972, ss.124, 126, 127 Local government Act 1972, s.139</p>
Litter	Provision of bins	Litter Act 1983, ss.5, 6

Function	Powers & Duties	Statutory Provisions
Lotteries	Powers to promote	Gambling Act 2005, s.252, 258
Markets	Power to establish or acquire by agreement markets within the council's area and provide a market place and market buildings	Food Act 1984, s.50
Mortuaries and post-mortem rooms	Powers to provide mortuaries and post-mortem rooms	Public Health Act 1936, s.198
Neighbourhood planning	Powers to act as lead body for a neighbourhood development plan or a neighbourhood development order.	Localism Act 2011, Schedule 9; Town and Country Planning Act 1990, ss.61E- 61Q, Schedule 4B; Planning and Compulsory Purchase Act 2004, s.38A
Newsletters	Power to provide information relating to matters affecting local government	Local Government Act 1972, s.142
Nuisances	Power to deal with offensive ditches	Public Health Act 1936, s.260
Open spaces	Power to acquire and maintain land for public recreation Power to acquire and maintain land for open spaces	Public health Act 1875, s.164 Open Spaces Act 1906, ss.9 and 10
Parish Property and documents	Powers to receive and retain Duty to deposit certain published works in specific deposit libraries	Local Government Act 1972, s.226 Legal Deposit Libraries Act 2003, s.1
Public buildings and village hall	Power to acquire and provide buildings for public meetings and assemblies	Local Government Act 1972, s.133
Public Conveniences	Power to provide	Public Health Act 1936, s.87
Recreation	Power to provide a wide range of recreational facilities Provision of boating pools	Local Government (Miscellaneous Provisions) Act 1976, s.19 Public Health Act 1961, s.54
Right to challenge services that are provided by a principal authority	The right to submit an interest in running a service provided by a district, county or unitary authority.	Localism Act 2011, ss.81-86
Right to nominate and bid for assets of community value	The right to nominate assets to be added to a list of assets of community value and the right to bid to buy a listed asset when it comes up for sale	Localism Act 2011, ss.87-108
Town and Country Planning	Right to be notified of planning applications if right has been requested	Town and Country Planning Act 1990, Sched.1, para.8
Tourism	Power to encourage tourism to the council's area	Local Government Act 1972, s.144
Traffic Calming	Powers to contribute financially to traffic calming schemes	Local Government and Rating Act 1997, s.30

Function	Powers & Duties	Statutory Provisions
Transport	Powers to spend money on community transport schemes	Local Government and Rating Act 1997, s.26-29
War memorials	Power to maintain, repairs, protect and adapt war memorials	War Memorials (Local Authorities' Powers) Act 1923, s.1
Water	Power to utilise wells, springs or streams for obtaining water	Public Health Act 1936, s.125
Websites	Power for councils to have their own websites	Local Government Act 1972, s.142

Source: NALC's "The good councillor's guide" 2018 & caveat is "no list can be totally comprehensive"

EXTERNAL AUDIT CONCLUSIONS (Points 4 and 7 refer)**2019/20 final External Audit report:**

On 26 November 2020, we issued a report detailing the results of our limited assurance review of Sections 1 and 2 of this authority's Annual Governance & Accountability Return for the year ended 31 March 2020. We explained that we were unable to certify completion of the review at that time. We are now in a position to certify completion of the review.

The external auditor report given in Section 3 of the Annual Governance & Accountability Return requires amendments as follows:

Except for the matters reported below, on the basis of our review of Sections 1 and 2 of the Annual Governance and Accountability Return (AGAR), in our opinion the information in Sections 1 and 2 of the AGAR is in accordance with Proper Practices and no other matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

The smaller authority failed to approve the AGAR in time to publish it before 1 September 2020, the date required by the Accounts and Audit Regulations 2015 as amended by SI 2020/404 the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, and did not disclose this by answering 'No' to Section 1, Box 1.

Other matters not affecting our opinion which we draw to the attention of the authority:

We note that the smaller authority did not comply with Regulation 15 of the Accounts and Audit Regulations 2015 as amended by SI 2020/404 the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 as it failed to make proper provision during the year 2020/21 for the exercise of public rights, since the period for the exercise of public rights did not start on or before 1 September 2020. As a result, the smaller authority must answer 'No' to Assertion 4 of the Annual Governance Statement for 2020/21 and ensure that it makes proper provision for the exercise of public rights during 2021/22.

Minute extract 21/71 (ii):**2019/20 Annual Governance and Accountability Return (AGAR)**

The Clerk reported that the external audit for 2019/20 had been completed and the Audited AGAR had been published on the noticeboards and Parish Council's website on 25th March 2021.

[\[https://www.muchhadhamparishcouncil.co.uk/parish-council/accounts/\]](https://www.muchhadhamparishcouncil.co.uk/parish-council/accounts/)

The AGAR had been qualified as a result of the late submission of the return, but she had queried an element of the qualification with the response only being recently received.

The Clerk stated that providing the 2020/21 AGAR is submitted in accordance with the timescales, and the question relating to elector rights on the annual governance statement is answered 'no', the 2020/21 AGAR will not be qualified. She also highlighted that work is in progress to ensure that the 2020/21 AGAR will be submitted for approval at the May meeting. The work referred to being:

- 2020/21 draft AGAR – annual governance statement and annual accounting statement completed subject to Internal Audit review;
- the Financial Accounts – these have been prepared as flow from the regular monthly reports received at each Parish Council meeting;
- Internal Audit review – this review is currently in progress and the report is expected mid-April; and
- review of effectiveness of internal controls – to be completed once Internal Audit report received and underpins the annual governance statement in the AGAR.

In response to a question, the Clerk confirmed that the Chair's signature will be required after the May meeting and the submission deadline is 30th June.

INTERNAL AUDIT CONCLUSIONS (Point 6 refers)

The review undertaken **during** the year was undertaken remotely during October 2020 and the conclusion was:

“We have concluded that, based on the satisfactory completion of our programme of work undertaken during our audit, the Council has again maintained more than adequate and effective internal control arrangements. We are pleased to acknowledge the continued quality of records maintained by the Clerk and thank her for her assistance, which has ensured the smooth progress of our review process. We are pleased to report that there are no issues arising this year warranting formal comment or recommendation.

We have completed and signed the ‘Internal Audit Report’ having concluded that, in all significant respects, the control objectives set out in that Report were being achieved throughout the 2019 -20 financial year to a standard adequate to meet the needs of the Council. “

The review **for 2020/21** was again undertaken remotely during April 2021 and the conclusion was:

“We have concluded that, based on the satisfactory completion of our programme of work undertaken during our visit, the Council has again maintained more than adequate and effective internal control arrangements. We are pleased to acknowledge the continued quality of records maintained by the Clerk and thank her for her assistance, which has ensured the smooth progress of our review process. We are pleased to report that there are no issues arising this year warranting formal comment or recommendation.

We have completed and signed the ‘Internal Audit Report’ having concluded that, in all significant respects, the control objectives set out in that Report were being achieved throughout the 2020-21 financial year to a standard adequate to meet the needs of the Council.”