

**CALDBECK PARISH COUNCIL:
EFFECTIVENESS OF INTERNAL CONTROL PROCEDURES 2020-21**

1. The Parish Council has reviewed the effectiveness of internal control procedures and concludes these have been operating satisfactorily in 2020-21. Internal controls include: maintaining a receipts and payments account; ensuring there is proper authorisation of payments; monitoring the budget; preparing an adequate budget for the next financial year; ensuring proper processes are followed when awarding contracts; managing projects effectively; reviewing general and earmarked reserves; maintaining risk and asset registers; and reviewing Standing Orders and other governance documents.
2. With the COVID pandemic ruling out all public meetings, the Parish Council has progressed its business through virtual meetings. Having met informally to test the technology and gain some familiarity with the process, the Parish Council held its first formal virtual meeting on 6 April 2020. [The March meeting was cancelled because of COVID restrictions and approval for virtual meetings from Government was still awaited.] The Parish Council was one of the first councils to make use of virtual meetings and has held its full schedule of meetings, including the May Annual Meeting. The Parish Council has taken the view that it should continue business as best it can throughout the year.
3. At Parish Council meetings the receipts and payment account is presented. The account includes a bank reconciliation with on line arrangements used to ensure that the latest figures are available from the bank. Receipts and payments are minuted, together with the bank reconciliation. The receipts and payments account gives full details of all transactions and is published on the website, meeting requirements for transparency. All transactions are available for inspection.
4. Throughout 2020-21, the Parish Council operated full on line banking arrangements. This has allowed for much more timely payment of invoices, helping local service providers and are essential for HMRC to avoid the risk of late payment charges. With on line banking, payments are only made following email approval from two Parish Councillors who are on the bank mandate. Maximum payments of £2,000 per transaction and £5,000 per day have been set. Reconciliation of the bank account is reported each meeting and provides a final control, with bank statements checked and signed, albeit by the Clerk given the constraints of virtual meetings.
5. The precept provides the most significant element of the Parish Council's receipts together with support for grass cutting from the County Council. In addition the Parish Council was very fortunate to receive an anonymous donation of £10,000 to pay for the purchase of National Park parcels of land, including Heskett Newmarket green and the various car parks in the Parish.
6. While the major receipts are processed efficiently, the Parish Council is also responsible for allotment and other rents. Allotment and other rents are small (£2 to £6 per allotment per year) and costs of collection can exceed the rent collected, particularly where invoices are not paid promptly and reminders have to be issued. The Parish Council has suggested merging the collection of rent and Allotment Society subscriptions but this has not been progressed given COVID restrictions and further work is required to improve the efficiency of rent collection. In requesting rental payments for this year, the Parish Council has asked allotment holders if they would like to make rental payments for next year as well so that two years rent can be collected. The Parish Council also encourages the use of electronic bank transfers rather than cheques.
7. In 2019-20 the Parish Council received a grant from Allerdale Borough Council to support pre planning advice for an affordable housing project. That grant is ring-fenced and has been drawn down to pay for pre application planning advice for a potential site. The Parish Council has asked Allerdale if it can use the unspent balance to help develop the project further.

8. The Parish Council is progressing the purchase of surplus National Park land, including areas used for car parking. Following completion, the Parish Council will be responsible for the collection of voluntary donations at Caldbeck car park and will seek to establish contribution boxes at other car parking areas. It is putting in place arrangements for the regular collection and banking of contributions. The Parish Council has sought to manage risks regarding the status of car parks on common land. It requested Counsel's Opinion and received appropriate assurances. The Parish Council is moving to complete the purchase as soon as the National Park has completed its final checks.
9. The Parish Council also requested Counsel's Opinion on the long running project to establish a direct, safe, easy to walk footpath between Caldbeck and Hesket Newmarket. The Opinion supported the Parish Council's case and has been shared with Allerdale Borough Council which has footpath creation powers. The Parish Council is working with Allerdale to see if a way forward can be found for establishing the footpath, completing the final element of the Parish Council's 2005 Parish Plan.
10. At Parish Council meetings figures from the receipts and payments account are incorporated in the budget monitoring report. This compares actual receipts and payments with budgeted figures. Forecasts for the year end are also presented.
11. The budget monitoring document is used to prepare the budget for the next financial year, with draft budgets prepared in December and the final budget and precept approved by the Parish Council in January.
12. In November 2019, the Parish Council consulted parishioners about proposals for providing extra services following decisions by Allerdale Borough Council to make savings. The consultation covered projections for two years, 2020-21 and 2021-22. The Parish Council accepted the results of the consultation and has provided a budget that allows for additional functions: maintaining public toilets in Caldbeck; and contracting for the services of a lengthsman to help maintain gullies, ditches, and culverts, and to look after verges. The expectation was that the Parish Council would have to pay for electricity for street lighting from April 2021 but Allerdale has changed its street lighting policy and is not introducing charges. However, the costs of maintaining Caldbeck public toilets are expected to be higher than those incurred by Allerdale where cleaning costs had not been increased for some 20 years and the budget provision for street lighting has been transferred to maintaining the Caldbeck public toilets.
13. Where the Parish Council contracts for services, invitations for tenders are sought and proper contracting processes followed, with contracts awarded on the basis of value for money. Standing Orders allow for some discretion and when reviewing Standing Orders, the Parish Council made the circumstances for exercising discretion explicit: where there is a particular specialist service required, for example legal advice, and where there is a compelling value for money case.
14. As noted above, the Parish Council requested Counsels' Opinions in regard to the footpath and car parking on common land without seeking tenders on the basis of the expertise required and when Chambers had significant spare capacity during the first lockdown. Fees charged were significantly below what had been estimated.
15. The Parish Council's two main contracts are for grass cutting and the new contract for lengthsman's services. Both are provided by the same contractor. The Parish Council was delighted with the success of the lengthsman's pilot project from its July 2020 start and decided to continue the service. Given the synergies between the two contracts, the quality of the services provided by the contractor, and the reasonableness of the tender charges offered, the Parish Council agreed to extend both contracts for three years. The grass cutting and lengthsman's contracts will be re-let in early 2024.

16. The Parish Council maintains appropriate records for all ring-fenced activities, such as affordable housing, purchase of National Park surplus land, and the long standing footpath project. It holds other earmarked reserves for footway lighting, winter maintenance, elections and possible calls to repay grant in relation to the footpath. The Parish Council reviews its reserves as part of completion of the accounts for the year end.
17. Annual Accounts are prepared each year in accordance with the Audit regulations 2006. The Parish Council employs an independent experienced internal auditor who audits the annual accounts prior to submission to external audit. The Internal Auditor provided a supportive report in April 2020, concluding that: "the Parish Council's control systems are efficient and effective and give the appropriate level of confidence, and that the financial statements and reports reflect a true and accurate account of the Council's finance and governance records." She expressed her appreciation to the Clerk for his assistance, meticulous documentation and comprehensive website which simplified the conduct of the audit in the circumstances presented by COVID. The Internal Auditor is available for advice and discussion throughout the year and has no other role within the Council. Work has been carried out with integrity and objectivity.
18. The Annual Meeting of the Parish Council is properly advertised and was held virtually in May 2020, with active public participation. The audited accounts are published, notice given and advertised, and supporting documentation made available as required.
19. Parish Councillors have reviewed their practices and updated Standing Orders, the Code of Conduct, the Risk Register, the Insurance cover, and the Assets Register.
20. The Parish Council is satisfied with the effectiveness of its internal controls and the measures taken to further strengthen controls through more efficient collection of allotment rents (paragraph 6), ensuring controls are in place for the collection of any voluntary car parking contributions (paragraph 8), considering a longer term view of budgetary requirements (paragraphs 12), being explicit on the reasons for the awarding of any contracts without seeking tenders (paragraph 13 to 15), and reviews of published procedures (paragraph 19).

Reviewed and approved by the Parish Council at its meeting on 22 March 2021.