
Seend Parish Council

Internal Audit Report 2021-22

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For and on behalf of
Auditing Solutions Ltd

Background

Statute requires all town and parish councils to arrange for an independent internal audit examination of their accounting records and system of internal control and for the conclusions to be reported each year in the AGAR.

This report sets out the work undertaken in relation to the 2021-22 financial year. We have again undertaken our review for the year remotely: we wish to thank both the former Clerk and the new Clerk for assisting the process, providing all necessary documentation in electronic format to facilitate completion of our review for the year and sign off of the Internal Audit Certificate in the year's AGAR. We have undertaken sufficient substantive testing to ensure that governance and financial controls remain effective.

Internal Audit Approach

In undertaking our review for the year, we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts/AGAR. Our programme of cover has been designed to afford appropriate assurance that the Council's financial systems remain robust and operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory regulatory framework. The programme is also designed to facilitate our completion of the 'Internal Audit Report' in the Council's AGAR, which requires independent assurance over ten internal control objectives.

Overall Conclusion

We have concluded that, based on the satisfactory conclusion of our annual programme of work, the Council has continued to maintain adequate and effective internal control arrangements, with no significant issues identified. We have, however, made a number of observations in this report which we would invite Council to consider in order to make further improvements to the system of internal control.

We would specifically commend the work of the new Clerk in recalculating the Council's accounts (Section 2 of the AGAR) in order to accord with the cash accounting basis which we have always felt is a much more appropriate basis for a Council of this size.

Consequently, we have completed and signed the year's 'Internal Audit Report', having concluded that, in all significant respects the control objectives set out in the Report have been achieved throughout the financial year to a standard adequate to meet the needs of the Council.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Clerk maintains the Council's accounting records in spreadsheet format, which we consider appropriate for a Council of this size given the number of annual transactions. The Council maintains two bank accounts (Current and Deposit) with Lloyds Bank, and a savings account with the Bath Building Society.

We note that the Council has continued to use DCK Accounting to conclude its accounts on an Income and Expenditure basis. We have had considerable discussion with the new Clerk on this practice, which we will comment further on below.

We note that bank reconciliations continue to be presented to Council for approval at each Meeting. We have test-checked these reports, and verified the year-end bank reconciliation. We also note clear evidence of independent check by a Councillor in accordance with Financial Regulation 2.2.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation, other than those comments we make below about the accounting base.

Review of Corporate Governance

We note that both Standing Orders and Financial Regulations were considered and approved by Council at the May 2021 meeting, with the tendering limits within both documents standardised at £10,000, which is a level we feel is appropriate to the Council's expenditure pattern.

We have reviewed the Council's Minutes for the financial year to determine whether any issues exist or may be developing that might have an adverse effect on the Council's future financial stability, whilst also ensuring that, as far as we may reasonably be expected to determine, no decisions have been made or are being considered that might result in ultra vires expenditure being incurred. No such issues have been identified.

We are pleased to note a high level of compliance with the requirements of the Transparency Code 2015, with good data available for Public access on the Council's website.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

Review of Payments & VAT

We have reviewed all payments made during the year to ensure that the following criteria were met:

- Payments were supported by a trade invoice or acknowledgement of receipt.
- VAT has been calculated correctly and is recovered at appropriate intervals.
- The Council at a Council meeting approved each payment.
- Payments have been correctly analysed in preparation of the year-end Statement of Accounts.
- Section 137 payments have been identified in the cashbook and are within the Council's spending limit.

We note that a schedule of payments is prepared and submitted to Council at each monthly meeting with both cheque signatories initialling the schedule and the supporting invoice.

We have confirmed with the new Clerk that the outstanding VAT from 2020-21 was reclaimed in 2021-22, being paid into the Lloyds Deposit account. A balance of £1,026.15 is to be reclaimed during 2022-23.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

Assessment and Management of Risk

Our aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks identified in order to minimise the opportunity for their coming to fruition.

The Council formally reviews its Financial and Health & Safety Risk Register on an annual basis, the last time being at the February 2022 meeting. This meets the requirements of Financial Regulations for at least an annual review.

The Council continues to place its insurance requirements with Hiscox. We have reviewed the content of the schedule and consider that it remains appropriate for the Council's current needs with Employer's and Public Liability cover in place at £10 million each, Officials Indemnity at £500,000 and adequate cover for assets.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

Budgetary Control and Reserves

We note that the Council agreed an appropriate Precept and budget for 2022-23 totalling £20,406 at its meeting in November 2021, which is properly recorded in the Minutes.

The DCK accounts identify Earmarked Reserves totalling £21,491 as at 31 March 2022. Offsetting this against the year-end cash balance of £30,603 leaves a General Reserve of £9,112, which represents 44.7% of the agreed Precept against a Best Practice target of 50%. This is an acceptable level of reserves for a Council of this size.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

Review of Income

The Council has relatively limited sources of income in addition to the annual Precept. Income arises primarily from allotment rents, recoverable VAT, bank interest, occasional grants and donations. We have test-checked and agreed a sample of income transactions between the cashbook and bank statements for the financial year.

However, we can see no evidence in the 2021-22 Minutes that the Council has reviewed its allotment charges. An annual review (not necessarily an increase) is a requirement of Financial Regulation 9.3.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation, other than our observation concerning annual review of allotment rents.

Petty Cash Account

The Council does not maintain a Petty Cash account. Any out-of-pocket expenses incurred are reclaimed and paid accordingly in line with normal trader payment procedures. Subsequently, there are no issues arising in this area of our review warranting formal comment or recommendation.

Salaries and Wages

In examining the Council's payroll function, we aim to ensure that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HM Revenue and Customs (HMRC) in relation to the deduction and payment over of income tax and NI contributions.

We note that the Clerk (the Council's only employee) is paid on a monthly basis, and that gross pay is properly accounted for to HMRC via the Basic PAYE Tools system. We also note that the Clerk has opted out of the Self-Enrolment Pension Scheme.

We have test-checked salary payments during the year, with no issues arising. We have discussed with the new Clerk the need to clearly separate out the Working from Home allowance (which is not regarded as a Staff Cost applicable to Box 4 of the AGAR) in the cashbook.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation, other than our observation about the Working from Home allowance.

Asset Register

The Governance and Accountability Manual (GAM) requires all Councils to maintain a record of all assets owned, valued at either original net cost price or, if this is unavailable or the asset was donated, an appropriate valuation which can be a nominal £1.

We believe that the Council's Asset Register meets this requirement.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation, other than our observation about formal Council approval.

Investments and Loans

The Council has no funds in investments, with all funds being held in High Street accounts. The Council has no loans repayable by or to it.

Statement of Accounts and AGAR

We have previously had discussions with the former Clerk on the appropriateness of the DCK accounts, which are based on Accruals Accounting rather than the Cash Accounting base which is used by all other comparable Parish Councils. We have had considerable discussions with the new Clerk on this issue, also recognising a number of errors in the presented DCK accounts for 2021-22. We are pleased to note that, based on these discussions, the new Clerk has completely recast the 2021-22 accounts, along with the brought forward 2020-21 figures, in order to present the accounts on a cash basis, which we believe represents a clearer, true and fair view of the Council's finances. Changes to the 2020-21 AGAR figures will, however, clearly need to be marked as 'Restated' before the return is submitted to the External Auditor.

On this revised basis, and based on the satisfactory conclusions reached from our work on the Council's systems of financial control, we have signed off the internal audit report in the AGAR assigning appropriate assurances in each area.

Action Plan

Rec. No.	Recommendation	Response
	No recommendations made	