

Seend Parish Council

Internal Audit Report 2020-21

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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 2020-21 financial year. Due to the continuing impact of the Covid-19 pandemic, we have again undertaken our review for the year remotely: we wish to thank the 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, obviously in the circumstances, reduced the volume of transactions examined, whilst still ensuring 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 made one recommendation, which we would ask Council to consider, along with the rest of this report, and respond to in due course.

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 and given the number of annual transactions, with appropriate columnar analysis in place.

We note that the Council continues to use DCK Accounting to conclude its accounts on an Income and Expenditure basis. We have verified DCK's figures to the Council's records.

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.

Review of Corporate Governance

We note that both Standing Orders and Financial Regulations were considered and approved by Council at the May 2020 meeting. We are pleased to note that the tendering limits within both documents have been 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.

During our transaction testing we noted one invoice that had been made out in the name of the Clerk rather than the Council. It is important that all valid invoices bear the name of the Council, particularly where a VAT element is included for subsequent reclaim.

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 2021 meeting.

The Council continued to place its insurance requirements with Hiscox during the 2020-21 financial year. 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 2021-22 totalling £20,381 at its meeting in November 2020, which is properly recorded in the Minutes.

The DCK accounts identify Earmarked Reserves totalling £5,576. This leaves a General Reserve of £20,318, which is almost the total of the Precept and therefore represents a full year's transactions, which is very high for a Council of this size (6 months, or 50% of the Precept, would be more appropriate).

Council should therefore continue to keep the position under close review, particularly during the annual Budget Setting meeting.

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.

Conclusions

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

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.

During the review, we noted that the NJC pay award for 2020-21, backdated to 1 April 2020, has not yet been applied.

Conclusions and recommendation

R1. The Council should calculate the back pay due to the Clerk from 1 April 2020, and ensure that future NJC pay awards are promptly applied.

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 are pleased to note that, further to our comments in previous years, the Council's Asset Register now meets this requirement.

Conclusions

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

Investments and Loans

The Council has no funds in investments, any surplus cash being held in an interest-bearing deposit account at Lloyds TSB and an account with the Bath Building Society. The Council has no loans either repayable by, or to the Council.

Statement of Accounts and AGAR

The Statement of Accounts has, as in previous years, been prepared by DCK Accounting on behalf of the Council. We have checked the content of the Statement of Accounts to the cashbook, via the accountant's working papers, with no significant issues noted. We have consequently verified the detail recorded in Section 2 of the AGAR to the cashbook.

No additional issues arise in this area this year and, based on the satisfactory conclusions reached from our work on the Council's systems of financial control and content of the detailed Summary Financial Statements and that summarised detail set out in Section 2 of the AGAR, we have signed off the internal audit report in the Return assigning positive assurances in each area.

Action Plan

Rec. No.	Recommendation	Response
R1	<i>(Salaries and Wages)</i> The Council should calculate the back pay due to the Clerk from 1 April 2020, and ensure that future NJC pay awards are promptly applied.	