

Idmiston Parish Council

Internal Audit Report 2019-20

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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 Annual Return.

This report sets out the work undertaken in relation to the 2019-20 financial year, which took place on the 27th April 2020.

Internal Audit Approach

The 2019-20 Year End Internal audit has been undertaken remotely due to the Covid-19 virus situation and in accordance with Government advice. All files and supporting document required to complete the audit have been supplied, as requested, electronically.

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 / Annual Return. Our programme of cover is designed to afford appropriate assurance that the Council has appropriate and robust financial systems in place that 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' as part of the Council's Annual Governance and Accountability Return (AGAR) process, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

Based on the satisfactory completion of our programme of work for the year, we have concluded that the Council has, again maintained adequate and effective internal control arrangements. We are pleased to report that there are only three issues arising this year warranting formal comment and two requiring recommendation. We are very pleased to note the implementation of the majority of recommendations made in our prior year report.

We understand that the last few months of the 2019-20 financial year have been challenging for all councils, with their day to day operational and administrative functions. We take this opportunity to acknowledge the exemplary quality of records maintained by the Clerk. We thank her for her assistance during the Internal audit which has ensured the smooth and successful progress of our review process.

We have completed and signed the 'Internal Audit Report', having concluded that the control objectives set out in that Report have been achieved within the financial year to a standard adequate to meet the needs of the Council.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. We note that the Council has now migrated its accounts to the specialist council accounting package, Rialtas Alpha, and that this has been used to maintain the 2019-20 financial year accounts and to and prepare the Council's Annual Statement of Accounts.

The Council continues to maintain two bank accounts, a current and deposit account with the Unity Trust Bank.

Due to the current situation we have reviewed every 6th invoice irrespective of value and every invoice in excess of £750.00. We have agreed all sample transactions recorded in Rialtas during the year to the supporting bank statements, also ensuring the correct recording of transfers between the deposit and current account. Finally, in this area, we have checked and verified the monthly and year end bank reconciliations, ensuring the accurate disclosure of the year-end balance in Section 2, Box 8 of the year's AGAR.

Conclusions

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

Review of Corporate Governance

Our objective is to ensure that the Council has a robust regulatory framework in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and that, as far as we may be reasonably expected to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation.

We note that the Council has formally reviewed and readopted both its Standing Orders (SOs) and Financial Regulations (FRs) in the June 2019 meeting of the Full Council under Minute reference 142/19 (a) and (b) respectively. Subsequently, the Council's further amended its Financial Regulations to authorise the use of a debit card by the Clerk/RFO, based on the current NALC model documents. The revised Financial Regulations were adopted at the Full Council meeting in November 2019 under Minute reference 222/19 (a).

We also note the Council's continued efforts to ensure compliance with the General Data Protection Legislation.

We have examined the Council minutes for the year to determine whether any issues exist that may have either a legal or financial impact on the Council and its future financial stability, also ensuring that, as far as we may reasonably be expected to ascertain, no actions / decisions of an unlawful nature have occurred or may be being considered.

Conclusion

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

Review of Payments

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Cheques are signed by two elected members of the Council;
- Payments are supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and/or an acknowledgement of receipt, where no other form of invoice is available;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense codes have been applied to invoices when processed; and,
- VAT has been appropriately identified and coded to the control account for periodic recovery.

Due to the Covid-19 virus situation, and Government advice at the time of this year end audit, the review has been conducted remotely and electronically. Resultantly, we have tested every sixth payment and all payments in excess of £750 made during the 2019-20 financial year: We note that where no formal invoice is available, a proforma be prepared and be signed-off by the Chairman.

We note that a 'Schedule of Payments', is presented to the Members at the monthly meeting of the Parish Council, which is duly authorised and minuted, with the cheques being prepared by the Clerk/RFO for signature by approved Members. Individual BACS, DD and SO payments, can be traced via their unique payment reference to the detail of the corresponding bank statement. There is clear evidence that Members are scrutinising each payment listed on the Schedule of Payments, and each payment document included on the Schedule of Payments has been correctly initialled.

Finally, in this area of our review we note that the VAT reclaims are prepared periodically, due to the relatively low level of transactions. The VAT reclaim for the period of April 2018 – January 2020 was received to bank on the 5th February 2020. The 2019-20 financial year-end reclaim was in the process of being submitted to the HMRC as at the 27th April 2020.

Conclusions

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

It is noted that the Council's Risk Assessment was reviewed by members and adopted in the June 2019 meeting of the Full Council under Minute reference 142/19 (c).

The Council reviewed its level of insurance cover and entered into a three-year agreement with Came & Co to facilitate the Council's insurance requirements, placing its business with Axa. We have examined the insurance schedule provided by Axa noting the levels of cover: Public, & Products Liability, and Employer's Liability are both in place at £10 million, Hirers Liability at £5 million, Officials Liability at £500,000, Liable & Slander Liability at £500,000, Data Protection Liability at £250,000 together with Business Interruption - Loss of Revenue at £10,000. This level of cover is considered appropriate for the Council's present needs.

Finally, in this area of our review, we note that the Council is responsible for a playground and recreation area: We note that the Council has implemented an inspection regime: Weekly visual inspections are undertaken by a Councillor and a Playground inspection form is completed for the areas examined. The forms are passed to the Clerk/RFO for action and retention.

We were advised during the 2018-19 year-end review that RoSPA were engaged to conduct an annual independent inspection of the playground and recreation area, however, we note that the Clerk subsequently identified that no independent playground inspection had in fact been undertaken since 2016. Upon discovery immediate remedial action was undertaken, by Sutcliffe Play and Leisure, and that RoSPA was engaged to conduct an Annual Independent inspection of the Play area in September and the Council Resolved to Adopt a new Play Area Management & Inspection Policy in September 2019 under Minute reference 193/19 (a).

Conclusions

The Council's oversight in failing to undertake an independent annual risk-based inspection of the playground and recreation area, for several years, placed the Council at significant risk of claim against it as the Council had failed in its duty to take reasonable steps to ensure that the facility and equipment provided was fit for purpose and safe to use. The emergency repairs that were undertaken clearly indicates that it was not.

The Clerk and Members swiftly moved to resolve the situation once it had been identified. However, it is imperative that such an oversight not occur again, and that the Council's general Risk Management and new Playground Management policy are properly implemented and maintained.

There are no matters arising in this area of our review warranting formal recommendation.

Budgetary Control and Reserves

In this area of our coverage, we aim to ensure that the Council has sound procedures in place for the determination of its annual budget and monitoring and managing available resources throughout the financial year.

The Council's Minutes and other documentation provided for our review indicate that Members undertook a robust Budget setting and Precept determination process, approving the precept for the 2019-20 financial year at £50,920 (£39,254 prior year), an increase of approximately 27%, in

the December meeting of the Full council under Minute reference 235/19 (g). We note that the Council continues to be provided with monthly budget monitoring reports which now provide a means of measuring actual performance against an approved budget.

We note that the Council's Reserves at the 31st March 2020, taking account of the year's budget outturn, stood at £24,669 (£32,169 prior year). The Council currently maintains no Earmarked Reserves. The General Reserve Fund balance of £24,669 represents slightly over 5 months' revenue expenditure at 2019-20 financial year levels, sitting comfortable in the upper quartile of the current CiPFA guidance to retain between 3 and 6 months of reserve at the prior year levels of expenditure.

Conclusions and recommendation

We have noted, as identified in our prior year report, that the Council does not currently hold any Earmarked Reserves for predicted expenditure such as the replacement of IT and playground equipment or capital projects. We recommend, once again, that as the life expectancy of IT equipment is between 2 and 5 years, Playground equipment between 10 and 15 years, Members should consider developing a business plan and building up Earmarked Reserve funds to ensure these and other items for which the Council has responsibility can be replaced as required.

Such an approach will place the Council in a more controlled position, if emergency repairs are required, such as occurred during the 2019-20 financial year to the Playground and Recreation area.

- R1. *Members should consider developing a rolling 5-year business plan to assist it in planning for future expenditure and projects.*
- R2. *Members should consider establishing Earmarked Reserves to support future planned expenditure.*

Review of Income

The Council receives income by way of the annual precept, newsletter advertising, burial and associated fees, occasional grants and recovered VAT.

We have examined the controls in place over the recovery of burial and associated fees with no concerns identified. We have ensured that for the single memorial which was purchased during the 2019-20 financial year, that the appropriate fees have been charged. There were no interments during this period.

We note that significant advertising revenue has been generated during the 2019-20 Financial Year, and as recommended in our prior year report, the Clerk requested and received a letter of exemption for charging VAT on Advertising fees.

Conclusions

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

Petty Cash Account

The Council does not operate a petty cash account. Any out-of-pocket expenses incurred by the Clerk in connection with her work for the council, that are not made using the Council's new Unity Trust debit card, are reclaimed and processed and paid in the same manner as all trader payments.

Review of Staff Salaries

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.

To meet these objectives, we have examined the payroll procedures in place and the physical payments made to staff in 2019-20 by reference to the October 2019 payroll documentation, which continues to be produced "in house" utilising the HMRC PAYE tools. Our review has included: -

- Ensuring that the Council has approved employee pay rates for the financial year and that these have been duly and accurately applied;
- Checking to ensure that appropriate PAYE tax codes are being applied for the year;
- Checking to ensure that national insurance deductions have been computed accurately;
- Verifying detail of the net salary and third-party payments of PAYE / NI contributions by reference to payslips and payroll summary reports and the subsequent cheque / BACS payments issued;
- Verifying the detail of pension contributions by reference to payslips and payroll summary reports and to the subsequent cheque / BACS payments issued; and,
- Ensuring that monthly payroll submissions are being properly submitted to HMRC in accordance with current legislation.

Conclusions

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

Asset Register

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We note that, acting on our prior year recommendations, that the Clerk has revised the Council's Fixed Asset Register and that it now meets the basic requirements of the Practitioner's Guide.

We have agreed the 2019-20 financial year Fixed Asset Register value, including in year acquisitions and disposals, as far as it is possible to do so without a physical inspection of the Council's assets being undertaken by this auditor.

Conclusions

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

Investments and Loans

It is noted that council continues to maintain a current and deposit account with the Unity Trust Bank. Currently, the council does not hold funds in excess of £85,000 which will ensure that it is covered under the Financial Services Compensation Scheme.

The Council has no loans either repayable by, or to it, as at the 31st March 2020.

Conclusions

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

Statements of Account and Annual Governance & Accountability Return

The Council's annual Statements of Accounts have been prepared automatically from the Rialtas accounting software, together with detailed supplementary supporting notes. We have checked and agreed, by reference to the accounting system's closing Trial Balance and other relevant documents, the content of the Statement of Accounts and the supporting notes, detail of which is transferred to Section 2 of the Annual Return.

We have also reviewed the process for identifying and verified the accuracy of year-end debtors and creditors, as disclosed in the Balance Sheet to appropriate supporting documents.

Conclusions

On the basis of our detailed programme of work undertaken during the course of the year on the Council's systems of financial control and satisfactory conclusions drawn from our examination of the content of the detailed Statement of Accounts and the summarized detail set out in Section 2 of the Annual Governance & Accountability Return, we have duly "signed off" the Internal Audit Certificate assigning positive assurances in each relevant category.

Action Plan

Rec. No.	Recommendation	Response
Budgetary Controls & Reserves		
R1	Members should consider developing a rolling 5-year business plan to assist it in planning for future expenditure and projects.	
R2	Members should consider establishing Earmarked Reserves to support future planned expenditure.	