

Idmiston 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 Annual Return.

This report sets out the Internal Audit review undertaken in relation to the 2020-21 financial year, which took place on Sunday the 20th June 2021.

Internal Audit Approach

The 2020-21 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, once again maintained robust and effective internal control arrangements. We are pleased to report that there are no matters arising this year warranting formal comment or recommendation. We are very pleased to note the implementation of all the recommendations made in our prior year report.

We understand that the 2020-21 financial year has been challenging for all councils, with the struggle to maintain their day to day operational and administrative functions. We take this opportunity to acknowledge the well managed and smooth operations of the Council during 2020-21 and to note the exemplary quality of records maintained by the Clerk/RFO. We thank her for her assistance during the Internal audit which has ensured the smooth and successful progress of our year-end 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.

We ask that members consider the content of this report and acknowledge that the report has been formally reviewed and adopted by Council.

Detailed Report

Review of 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 continues to employ Rialtas Alpha accounting software to maintain financial records and produce its financial statements and management report and accounts. Rialtas has been used to maintain the 2019-20 financial year accounts and to and prepare the Council's Annual Statement of Accounts.

The Council continued to maintain two bank accounts, a current and deposit account with the Unity Trust Bank. An additional deposit account, with Unity, was opened during the 2020-21 financial year with the sole purpose of receiving CIL funds, bring the number of the Councils bank accounts to three.

We have reviewed every 5th 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.

We are pleased to note that all the payment documents reviewed bore clear evidence of scrutiny, coding and authorisation processes taking place in accordance with the Council's published Financial Regulations and Standing Orders.

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 the receipt of an unqualified External Auditor's report for the 2019-20 financial year. The only comment in relation to the delay of the publication of the Notice of Exercise of Public Rights, caused by the Government's public-health lockdown directives in relation to the Covid situation.

We note that the Council has formally reviewed and readopted both its Standing Orders (SOs) and Financial Regulations (FRs) in the June 2020 Annual Meeting of the Full Council under Minute reference 51/20 (a) and (b) respectively.

We have examined the Minutes of the Council and its Standing Committees for the financial year to the 31st March 2021, 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. We commend the Clerk/RFO for the high standard of recorded Minutes of the Council and its standing committees.

We also note the Council's continued efforts to ensure compliance with the General Data Protection Legislation, and its updating of the Council's website during the year in line with Accessibility requirements.

Conclusion

here are no matters 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 fifth payment **and all payments in excess of £750** made during the 2020-21 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.

We have reviewed the quotations undertaken by the Council during the 2020-21 financial year and confirm that these have been undertaken in compliance with the Council's adopted standing orders and financial regulations.

Finally, in this area of our review we note that the Council's VAT reclaims are prepared annually due to the relatively low level of transactions. The VAT reclaim for the period 1st April to the 31st March 2020 was received to bank on the 29th March 2021 in the amount of £3,326.98.

Conclusions

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

Review of 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 2020 Annual Meeting of the Full Council under Minute reference 51/20 (c).

The Council fixed its insurance cover provision on the basis of a three-year agreement with Came & Co, underwritten by Axa, of which it is in year two of that agreement. 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 that Wicksteed Leisure Ltd were engaged to conduct an annual independent inspection of the playground and recreation area, and that the resultant report, as the Minutes of the Full Council confirm, has been scrutinised and acted upon in a timely manner. The Council continues to maintain a Play Area Management & Inspection Policy and has adopted a Play Area Risk Management Policy at the June 2020 Annual Meeting of the Full Council under Minute reference 51 h).

Conclusions

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

Review of 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 2021-22 financial year at £72,413 (£50,920 prior year), an increase of approximately 42%, in the December meeting of the Full council under Minute reference 146/20 (b). 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 2021, taking account of the year's budget outturn, stood at £39,183 (£24,669 prior year). The Council currently maintains £15,000 Earmarked Reserves, in relation to general maintenance and repairs and maintenance of the Gomeldon Recreation Ground and the Cemetery archaeology survey. The General Reserve Fund balance of

£18,762 represents approximately 4 months' revenue expenditure at 2020-21 financial year levels, sitting comfortably towards the centre of the current CiPFA guidance to retain between 3 and 6 months of reserve at the prior year levels of expenditure.

Conclusions

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

However, we note that the Council's Earmarked reserves had not been loaded into Rialtas for the production of the year-end statements and advise the Clerk that she should ensure this is accomplished as soon as possible during the 2021-22 financial year.

Review of Income

The Council receives income by way of the annual precept, newsletter advertising, CIL funds, interments 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 further note that the Council reviewed its fees in relation to interments and related fees and advertising fees and to resolved to keep these at the 2020-21 financial year level for 2021-22.

We note that the Council's income has been boosted by significant receipt of CIL funds during the 2020-21 financial year. This income has been correctly recorded in the Council's cashbook and is maintained in a separate deposit bank account for transparency.

Conclusions

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

Review 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.

Conclusions

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

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 2020-21 by reference to the March 2021 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;
- Verified the detail of pension contributions by reference to payslips and payroll summary reports and to the subsequent cheque / BACS payments issued, noting a minor issue; and,
- Ensuring that monthly payroll submissions are being properly submitted to HMRC in accordance with current legislation.

Conclusions

There are no matters arising in this area of our review warranting formal comment or recommendation. However, we have noted that the Clerk, in error overpaid her pension contributions from October 2020 to March 2021 in the amount of £509.00. The Clerk, having already identified this error, has contacted the Pensions Administrator to identify the amount can be refunded directly to IPC or if she can retain these as Additional Voluntary Contributions (AVCs) and repay IPC herself.

As the rectification process, as described above, is already in place no recommendation has been made in this regard.

Review of Fixed Asset Register(s)

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 remind the Clerk/RFO and members that as digital photography is now cheaply and easily available, that the Council considers making the Fixed Asset Register photographic in relation to high value assets, such a playground equipment.

We have agreed the 2020-21 financial year Fixed Asset Register value, in the amount of £83,834, including in year acquisitions and disposals, which are recorded in the Fixed Asset Register, 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 matters arising in this area of our review warranting formal comment or recommendation. However, we do ask that the Clerk and Members give consideration to including photographic detail of Assets in the Register.

Review of Investments and Loans

It is noted that council continues to maintain a current and two deposit accounts 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 2021.

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.

Conclusion

We are pleased to record that no issues arise in this area and, on the basis of the work undertaken during the course of our review for the year, we have "signed off" the Internal Audit Certificate in the Annual Governance and Accountability Return assigning positive assurances in all areas.

We confirm that all sensitive and confidential information, including Bank Statements and Payroll information supplied electronically for the purposes of this Internal Audit has been permanently deleted from our records in compliance with the General Data Protection Regulation and Auditing Solutions Ltd., Document Retention Policy.

Finally, we take this opportunity to remind the Clerk/RFO of the requirements in relation to the documentation that should be displayed on the Council's website, together with the need to ensure compliance with the timing requirements for publication of the Notice of Public Rights to examine the Council's documentation for the financial year.