

Asheldham and Dengie Parish Council

Internal Audit Report 2020-21

John Watson

*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 (AGAR). Auditing Solutions Ltd have been asked to provide this service to Asheldham and Dengie Parish Council.

Due to the impact of the Covid-19 pandemic, we have undertaken our review for the year remotely: we wish to thank the Clerk for assisting in the process, providing all necessary documentation in hard copy to our office to facilitate completion of our review for the year and sign off the Internal Audit Certificate in the year's AGAR.

This report sets out the work undertaken in relation to the 2020-21 financial year, during our work in our office on 10th June 2020.

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/Annual Return (AGAR). Our programme of cover has again 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 Annual Return (AGAR), which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We have concluded that, on the basis of the programme of work undertaken during our visits this year, the Council continues to maintain adequate and effective internal control arrangements. We thank the Clerk for her assistance, which has ensured the smooth progress of our review process.

We have completed and signed the 'Annual Internal Audit Report' in the year's AGAR having concluded that, in all significant respects, the control objectives set out in that report were being achieved throughout 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 Clerk is maintaining the cash book using an Excel spreadsheet which we consider more than adequate for a Council of this size. We also note that the Council operates two bank accounts with Barclays Bank plc. We have,

- Checked and agreed the opening balance detail for 2020-21 to the closing balances and certified AGAR for 2019-20;
- Verified that an appropriate cost analysis structure is in place;
- Noted that bank reconciliations are prepared on a regular basis;
- Checked and agreed all transactions for the year on both Barclays Bank accounts;
- Ensured that the accounts remain “in balance” at the financial year-end; and
- Agreed the bank reconciliation as at 31st March 2021 on both Barclays Bank accounts;

We are pleased to note that the records are backed up to a USB stick on a regular basis. The records are also backed up to the Cloud. We do note, however, that no effort has been made to restore from this back up and suggest consideration be given to doing this.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation. We have verified the accurate disclosure of the year-end balances in the year’s AGAR.

Review of Corporate Governance

Our objective is to ensure that the Council has a robust regulatory framework in place; that Council meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are able to ascertain (as we do not attend Council or Committee meetings), no actions of a potentially unlawful nature have been or are being considered for implementation. We have in this regard:-

- Noted that Standing Orders were last approved by Council at their meeting on 2nd July 2018 and that Financial Regulations were last approved by Council at their meeting on 1st October 2018. We do again strongly recommend that both documents should be reviewed on an annual basis especially bearing in mind the revised standard model Financial Regulations as issued by NALC in November 2019;
- Further noted that the precept was agreed at £6,185 at the Council meeting held on 7th December 2020 (minute 20/21/110.c refers);
- Examined the minutes of meetings of the Full Council for the year to identify whether any issues arise that may have an adverse effect on the Council’s future financial stability with no issues arising;
- Noted that the Council have complied with the requirements of the Transparency Code for small authorities; and,

- Confirmed that the Council correctly provided the proper opportunity for the exercise of public rights in the appropriate period in accordance with the requirements of the Accounts and Audit Regulations.

Conclusions and recommendations

Standing Orders and Financial Regulations should be reviewed and, if appropriate, NALC model documents be adopted

R1. Council should review Standing Orders and Financial Regulations on an annual basis and, if appropriate, NALC model documents should be adopted.

Review of Payments

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- 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;
- Members have met their fiduciary duties approving release of each payment in accord with existing legislation;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense headings have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery and that submissions have been made to HMR&C in a timely manner.

We have examined the transactions in the cash book for the year to ensure compliance with the above criteria and are pleased to record that no issues have been identified with all the criteria duly met.

We do note that not all supporting vouchers in respect the Clerk's expenses were available for inspection and recommend that these be provided in future. We also note that the Clerk is netting off expenditure made on behalf of other Councils against expenditure incurred by the Parish Council. We recommend that an invoice should be raised on the other Councils and the income from these invoices reflected in the Parish Council income. We further note that the donation to the British Legion was made by a transfer to the Clerk's personal bank account. We recommend that such donations should be made direct to the organisation concerned. Finally, we note that donations are not recorded in the minutes as Section 137 payments and recommend that this be done in future.

We note that the Clerk has submitted manual VAT reclaims to HMR&C for the period from 1st February 2020 to 31st May 2020 9 and for the period 1st June 2020 to 31st March 2021.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

R2. Council should ensure that the Clerk provides the appropriate paperwork in respect of her expenses.

R3. The Council should invoice other Parish Councils for expenses incurred on their behalf and show the income from these expenses as receipts.

R4. Council should ensure that donations are made direct from the Council bank account and not through the Clerk's personal bank account.

R5. Donations should be recorded in the minutes as Section 137 payments.

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 in order to minimise the opportunity for their coming to fruition. We have: -

- Examined the Council's insurance policy with Zurich Insurance which provides cover to 31st March 2022. Employers and Public Liability cover is in place at £10 million each and Fidelity Guarantee cover is in place at £25,000; We consider cover to be at an appropriate level for the Council's requirements;
- Noted that the Council once again did not review and formally approve their Risk Assessment during the year; we remind the Clerk and Members of the Governance and Accountability Manual - Practitioners Guide (2014 edition) mandatory requirement that risk assessments are reviewed and re-adopted formally by the Council each year; and,
- Noted that the Council does not own any facilities requiring them to undertake regular Health and Safety inspections.

Conclusions and recommendations.

We draw the Clerk and members attention to the now mandatory requirement that financial and other risk assessments are subjected to at least annual review, update and formal re-adoption by the full Council and urge them to ensure that they comply in 2020-21. We shall continue to monitor progress in this respect at next year's review and report our conclusions accordingly.

R6. The Council should ensure that financial and other risk assessments are subjected to at least one annual review with the resultant output adopted formally by the full Council, as is now mandatorily required.

Budgetary Control and Reserves

We aim in this area of our review process to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount to be precepted on the District Council, that effective

arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans.

We are pleased to note that, following discussion at the Council meeting on 7th December 2020, Council approved its budget and precept for 2021-22 (minute 20/21/110.c refers).

We also note that members receive regular reports containing detail of receipts and payments, together with a copy of the current month bank reconciliation.

We have considered the appropriateness of the level of retained reserves to fund the Council's ongoing revenue spending plans and any future development aspirations. We note that total Reserves stand at £6,326 of which £500 are earmarked reserves. The balance of general reserves at £5,826 equate to over fourteen months average revenue expenditure which is above the generally accepted guidelines of between three and six months average revenue expenditure.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

Review of Income

The Council has only limited sources of income, primarily the annual precept, together with bank interest, VAT refunds, grants and other miscellaneous receipts. We have checked and agreed detail of all income between the cashbook and bank statements for the financial year.

We note that income is received in respect of Ayletts. We understand that Ayletts is a charity and again recommend that Council investigate whether their treatment of this income is correct or whether a separate Ayletts bank account should be opened and the income and expenditure in respect of this charity be excluded from the Councils figures.

Conclusions and recommendations

We are pleased to report that, other than the issue as to whether a separate bank account should be opened for Ayletts, there are no issues arising in this area of our review process warranting formal comment or recommendation.

R7. Council should investigate whether their treatment of the Ayletts income is correct or whether a separate Ayletts bank account should be opened and the income and expenditure in respect of this charity be excluded from the Councils figures.

Petty Cash Account

The Council does not operate a petty cash account. All out-of-pocket expenses incurred by the clerk being reimbursed by cheque, any VAT incurred also being identified for recovery.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

Salaries and Wages

In examining the Council's payroll function, we aim to confirm that existing legislation is being appropriately observed as regards adherence to the requirements of HM Revenue and Customs (HMR&C) legislation as regards the deduction and payment over of income tax and NI contributions; To meet this objective, we have: -

- Reviewed the Council's payroll preparation procedures noting that the Clerk calculates the payroll utilising HMR&C's PAYE Tools;
- Checked to ensure that the Council has reviewed and approved appropriate pay scales for staff;
- Checked and agreed the amounts paid to individuals by reference to the approved pay rates, examining payment made in March 2021;
- Checked to ensure that, where additional hours are paid, they are appropriately supported;
- Ensured that PAYE and NIC deductions have been made accurately by reference to the HMR&C Basic PAYE Tools software;
- Ensured that the appropriate month's deductions and contributions have been paid over to HMR&C in a timely manner; and
- Ensured that funds are released in accordance with government legislation and the Council's own Financial Regulations.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

Asset Registers

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned.

We are pleased to note that an appropriate asset register is in place. We are also pleased to note compliance with the AGAR reporting requirements with the purchase cost (net of VAT) of any new assets acquired in the year added to the register and disclosed appropriately in the year's AGAR.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation. We have confirmed the value of Assets as entered in the AGAR.

Investments and Loans

Our objectives here are to ensure that the Council is “investing” surplus funds, be they held temporarily or on a longer term basis in appropriate banking and investment accounts; that an appropriate investment policy is in place; that the Council is obtaining the best rate of return on any such investments made; that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

We have confirmed that the Council holds no long-term investments requiring disclosure in the Statement of Accounts, nor are there any loans with external bodies in existence repayable by or to it.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

Statement of Accounts and Annual Return

The 1996 Accounts and Audit Regulations required that all Councils prepare a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council’s financial affairs. The Council relies on the Accounts statements generated by the Excel spreadsheets to provide the relevant detail, together with that for disclosure in the year’s Annual Return.

We have reviewed the Statement of Accounts and Annual Return detail prepared by the Clerk, as generated from the excel spreadsheets with no obvious errors or anomalies in the detailed content

Conclusions

No issues have been identified in relation to the verification of detail in the Statement of Accounts and Annual Return this year.

On the basis of our detailed work during the course of the year on the Council’s systems of financial control and content of the detailed Statement of Accounts and that summarised detail set out in the AGAR, we have signed off the Internal Audit Report of the AGAR and, with the exception of the issue of Risk Management as detailed previously in this report, assigning positive assurances in each relevant area.

ACTION PLAN

Rec. No.	Recommendation	Response
Review of Corporate Governance		
R1	Council should review Standing Orders and Financial Regulations on an annual basis and, if appropriate, NALC model documents should be adopted.	<i>To be done in June 2021</i>
Review of Payments		
R2	Council should ensure that the Clerk provides the appropriate paperwork in respect of her expenses.	<i>Will ensure that all receipts are presented.</i>
R3	The Council should invoice other Parish Councils for expenses incurred on their behalf and show the income from these expenses as receipts.	<i>Duly noted will not show as a negative payment but invoice and show as income. However, was told by a previous auditor this was the best way to make sure that the payments reflected the true position.</i>
R4	Council should ensure that donations are made direct from the Council bank account and not through the Clerk's personal bank account	<i>This was a one off due to Covid and usually the money is sent direct to British Legion.</i>
R5	Donations should be recorded in the minutes as Section 137 payments.	<i>Duly noted, but thought there was always an issue with a Poppy Wreath being an S137 payment.</i>
Assessment and Management of Risk		
R6	The Council should ensure that financial and other risk assessments are subjected to at least one annual review with the resultant output adopted formally by the full Council, as is now mandatorily required.	<i>Already on the Agenda for June 2021</i>
Review of Income		
R7	Council should investigate whether their treatment of the Ayletts income is correct or whether a separate Ayletts bank account should be opened and the income and expenditure in respect of this charity be excluded from the Councils figures.	<i>Will be put on the Agenda for the September 2021 meeting for members to discuss and agree.</i>