

## **Asheldham and Dengie Parish Council**

*Internal Audit Report 2021-22*

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*Consultant Auditor*

*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.

The 2021-22 financial year review has been undertaken remotely: we wish to thank the Clerk for assisting in the process, providing all necessary documentation to facilitate completion of our review for the year.

This report sets out the work undertaken in relation to the 2021-22 financial year, during our work in our office on 14<sup>th</sup> April 2022.

## **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 the year-end review, 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 2021-22 to the closing balances and certified AGAR for 2020-21;
- Verified that an appropriate cost analysis structure is in place;
- Noted that bank reconciliations are prepared on a regular basis;
- Checked the transactions as recorded in the spreadsheet cashbook for the financial year to the 31<sup>st</sup> March 2022;
- Ensured that the accounts remain “in balance” at the financial year-end; and,
- Agreed the year-end bank reconciliation on both Barclays Bank accounts as at the 31<sup>st</sup> March 2022.

We 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*

*There are no matters arising in this area of 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 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 the Council is not eligible to adopt the General Power of Competence;
- Noted that the Standing Orders were approved by Members at the 5<sup>th</sup> July 2021 meeting of the Full Parish Council under Minute reference 71 (a);
- Noted that the Financial Regulations were approved by Members at the 5<sup>th</sup> July 2021 meeting of the Full Parish Council under Minute reference 71 (b);
- 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 maintains a basic web presence which can be located at: <https://e-voice.org.uk/asheldham-dengiepc/> ;

- Noted that the Council have complied with the requirements of the Transparency Code for small authorities;
- Noted that the Council has basic backup procedures in place; 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: The published consultation period being Thursday 1<sup>st</sup> July 2021 to Wednesday 11<sup>th</sup> August 2021 inclusive: 30 working days.

### ***Conclusion***

***There 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;
- 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.

We note that the Clerk has submitted a single manual VAT reclaim to HMRC for the period from 1<sup>st</sup> April 2021 to the 31<sup>st</sup> March 2021 in the amount of £385.93.

### ***Conclusion***

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

## **Review of Assessment & 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: -

- Noted that the Council reviewed its Business and Health & Safety Risk registers during the 2021-22 Financial Year, formally adopting these at the 5<sup>th</sup> July 2021 meeting of the Full Parish Council under Minute reference 71 (c.) as per the mandatory requirements of the Governance and Accountability Manual - Practitioners Guide;
- Examined the Council's insurance policy with Zurich Municipal, Reference YLL-2720439333, providing cover to 31<sup>st</sup> March 2022. The policy provides the following level of cover:
  - Public Liability £10 million
  - Employers Liability £10 million
  - Liable & Slander £100 thousand
  - Fidelity Guarantee £ 25 thousand
  - Personal Accident £2 million per incident (£500k per/individual)
  - Legal Expenses £100 thousand

We consider these levels of cover appropriate for the Council's current requirements; and,

- Noted that the Council does not own any recreation facilities requiring them to undertake regular Health and Safety inspections.

### **Conclusion**

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

## **Review of Budgetary Control & 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 note that, following scrutiny by Members at the Full Parish Council of the 6<sup>th</sup> December 2021, Members Resolved to Approve the draft Budget and Precept for the 2022-23 financial year, in the amount of £6,296 (Prior year £6,296), (equating to a weekly charge of £1.07 per week for a Band D property), under Minute reference 140 (d).

We note that the Council's reserves as at the 31<sup>st</sup> March 2022 stood at £7,488.65 including Earmarked reserves of £750.00 resulting in a General Reserve fund of £6,739.65. This equates to approximately thirteen months net revenue expenditure.

The council's general reserve sits significantly above the upper level of the generally recognised CiPFA guidance to retain between three and six months' revenue spending based the average FY2021-22 expenditure.

Finally in this area of our review, we have examined the year end budget performance detail, as detailed in the Clerk/RFO's report, with no unexplained or unanticipated variances existing which warrant further investigation or enquiry.

## ***Conclusion***

***There are no matters arising in this area of our review 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 the Ayletts charity and 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 note that our prior year recommendation to open a separate bank account should be for the Ayletts charity has not been acted upon. There are no further matters arising in this area of our review process warranting formal comment or recommendation.***

*R1. 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 should be excluded from the Councils figures.*

## **Review of Petty Cash Account(s)**

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.

## ***Conclusion***

***There are no matters 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 July 2022;
- 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***

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

## **Review of Asset Registers**

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

We note that the Council continues to maintain an appropriate Fixed Asset Register. We further note that there have been no disposal or acquisitions of Assets during the 2021-22 financial year and that the Fixed Asset Register value, in compliance with AGAR reporting requirements, was recorded as £5,700 (£5,700 prior year).

### ***Conclusion***

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

## **Review of Investments & 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.

### ***Conclusion***

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

## **Statement of Accounts and Annual Governance & Accountability 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 also reviewed the procedures in place for identifying year-end debtors, creditors and accruals and agreed the detailed values recorded in the year-end Balance Sheet to the Clerk/RFO's report records with no long-standing unpaid accounts or other issues arising.

### ***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 Report in the year's Annual Return assigning positive assurances in all areas.*

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### **NOTE TO REPORT**

*We confirm that all confidential & sensitive information, supplied for the purposes of this audit have been permanently deleted from Auditing Solutions Ltd.'s servers and any printouts made for the purposes of this audit have been destroyed in accordance with the Company's data a*



# ACTION PLAN

| Rec. No.                | Recommendation  | Response |
|-------------------------|---|----------|
| <b>Review of Income</b> |   |          |
| R1                      | 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 should be excluded from the Councils figures. |          |