

Great Bedwyn 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 AGAR.

This report sets out the work undertaken in relation to the 2019/20 financial year. 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 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 this year, we have, as in prior years, had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts. In view of the volume of annual transactions we have again undertaken an appropriate level of substantive testing of receipts and payments for the financial year, verifying detail to such underlying documentation as is available.

This report summarises our conclusions on each of the key areas set out in the Internal Audit Report that is required under the Annual Return arrangements. Issues requiring attention have been further summarised into an Action Plan at the end of the report. We ask that the Council consider this Report and Action Plan, and respond to it in due course.

Overall Conclusion

We are pleased to conclude that following the problems the Council faced in 2018/19, it has largely put in place effective control systems that help ensure that transactions are accurately reflected in the Statement of Accounts / Annual Return. The recommendations contained in this report should therefore be seen as promoting Best Practice, rather than any weakness in management. We would particularly like to recognise the efforts of the new Clerk in this regard.

On the basis of work undertaken on the Council's records this year, we have signed off the Internal Audit Certificate in the Annual Return assigning positive assurance.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Clerk records the Council's accounting transactions using an Excel spreadsheet with separate worksheets used to record receipts and payments, which is entirely appropriate for a Council of this size. Two bank accounts are in use with TSB with transactions on each account recorded in the cashbook throughout the year. We note, however, that the Current Account balance is maintained at a high level (£41,003 @ 31 March 2020, with only £813 of outstanding cheques), with the lowest bank balance through the year being £24,111. There is scope to increase interest earnings by moving surplus funds to the Business Instant Access account until they are needed. This can be facilitated by giving the Clerk delegated powers in accordance with Financial Regulation 5.5(c).

We note that the cashbook contains appropriate analysis to assist in production of both a detailed year-end Statement of Accounts and the Annual Return information at Section 2, together with periodic budget performance information for presentation to Members.

We note that bank balances are reported to each meeting of the Council, and regular bank reconciliations are in evidence in the cashbook.

Conclusions and recommendation

R1. Surplus funds should be moved to the Business Instant Access account to optimise interest earnings. The Council should consider giving the Clerk delegated powers under Financial Regulation 5.5(c) to manage this process.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place specifically that Council and, where applicable, Committee meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We also aim to ensure that appropriate policies, procedures and protocols are in place to prevent and provide a reasonable assurance of the detection of any fraudulent or corrupt activity.

We have reviewed the Council's Minutes for meetings held in the financial year to determine whether or not any issues exist or may be developing that might have an adverse effect on the Council's future financial stability, whilst also ensuring that no decisions have been made or are being considered that might result in ultra vires expenditure being incurred.

We note that Standing Orders were approved in May 2019, and again in April 2020 (delayed because of Covid-19 restrictions). The latest version of Financial Regulations (issued in mid-2019) has yet to be approved.

We note that, while there is evidence on the website of documentation required under the Transparency Code, this needs to be enhanced by publishing a list of payments made over £100, the Internal Audit report (which has not been published since 2016/17), and the supporting variance analysis and bank reconciliation to the AGAR.

Conclusions and recommendations

- R2. *The latest Model Form of Financial Regulations (published in mid-2019) should be considered and adopted when circumstances permit.*
- R3. *Compliance with the Transparency Code should be enhanced by publishing a list of payments made over £100, the Internal Audit report, and the supporting variance analysis and bank reconciliation to the AGAR. Note: the Clerk has already largely complied with this recommendation.*

Review of Payments and VAT

Given the current restrictions, we have test-checked a sample of payments during the year, we have checked detail of all payments to reasonably determine whether the following criteria have been 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 has 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 are pleased to note that the minute reference number is recorded in the cash book against the payment and the on the invoice itself and that members are signing the invoices, also that all payments are recorded in the minutes which are published on the Council's website.

We note that a VAT reclaim was made as at 31 March 2020, which included all reclaimable items going back to December 2018. Reclaiming on a more regular basis (say half-yearly) would facilitate the Council's cashflow as well as recovering the majority of income within the correct financial year.

Conclusions and recommendation

- R4. *VAT reclaims should be made on a more regular basis.*

Assessment and Management of Risk

We note that the Council maintains a number of risk assessments, although these were not re-considered by the Council during 2019/20. They are different to the Risk Register which is available on the Council's website, which does not appear to have been reviewed since 2014. There is also an indication on the Risk Register that risks will only be referred to the Council when they reach the highest level of impact and likelihood.

The Council's insurance cover is arranged with Zurich Municipal. We have reviewed the renewal schedule noting that Employer's and Public Liability cover are each in place at £10million respectively and Fidelity Guarantee cover at £50,000. With regard to the later, this is exceeded by the balances as at 31 March 2020, before the receipt of expected Community Infrastructure Levy (CIL) funds. An appropriate level of Fidelity Guarantee cover should be discussed with the Council's insurance brokers.

We note the play areas are inspected by ROSPA and the outcome reported in the minutes.

Conclusions and recommendations

- R5. *The Council should review its risks on a more regular basis (half-yearly is suggested), recognising that this is an important corporate document that should inform strategic thinking. Note: the Clerk has already adjusted the risk scoring.*
- R6. *The Council should review its level of Fidelity Guarantee insurance in the light of its current and expected bank balances.*

Budgetary Control and Reserves

The Council's Minutes clearly demonstrate that Members have given due and proper consideration to the budget requirement for 2020/21 formally agreeing and adopting the year's precept at £20,000. We are concerned, however, about a lack of clarity over reserves. The Council should maintain a General Reserve of around 6 months normal expenditure, and allocate appropriate funds for specific purposes to earmarked Reserves (which may be funded by CIL money).

We note the Council receives regular finance reports and monitors its spending during the year.

Conclusions and recommendation

- R7. *The Council should review its reserves and properly allocate them between General and Earmarked (specific project) Reserves.*

Review of Income

The Council receives, in addition to the annual precept, income from allotment rents, small amounts of bank interest, VAT refunds and occasional grants and donations. These are fully detailed in the cashbook.

We note that the Council reviewed and increased allotment rents in September 2019.

Conclusions

No issues have been identified in this area this year.

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 are reclaimed periodically and paid by separate cheques, which are minuted and approved as with ordinary trade invoices.

Salaries and Wages

The Council only employs one person – the Clerk, who was appointed in February 2019. Following that appointment, payroll management was outsourced to an external contractor. We have test-checked the system to confirm that any statutory deductions are properly made and paid over to HMRC.

Conclusions

No issues have been identified in this area this year.

Asset Registers

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We reviewed the Council's asset register confirming assets acquired during the year had been added and that the value recorded was at purchase cost ignoring VAT. We are pleased to note that changes to the Asset Register (both additions and deletions) within the year are properly recorded in the Minutes.

Conclusions

No issues have been identified in this area this year.

Investments and Loans

The Council does not hold any long-term investments or loans warranting disclosure in the Annual Return.

Statement of Accounts and Annual Return

The Accounts and Audit Regulations, as amended periodically, require all councils to prepare annually a Statement of Accounts, which is now in the form of the Annual Governance and Accountability Return at Section 2, which is, together with the Annual Governance Statement at Section 1, subject to independent external audit examination and certification.

We have agreed the draft accounts summarised in Section 2 of the Annual Return to the underlying records. During the audit it was noted that the total for Staff Costs (Box 4) had been incorrectly calculated. This has been corrected by the Clerk.

Conclusion

We have duly signed-off the Internal Audit Certificate in the 2018-19 Annual Return assigning positive assurances in each relevant area.

Action Plan

Rec. No.	Recommendation	Response
R1	<i>(Accounting Records and Bank Reconciliation)</i> Surplus funds should be moved to the Business Instant Access account to optimise interest earnings. The Council should consider giving the Clerk delegated powers under Financial Regulation 5.5(c) to manage this process.	
R2	<i>(Corporate Governance)</i> The latest Model Form of Financial Regulations (published in mid-2019) should be considered and adopted when circumstances permit.	
R3	<i>(Corporate Governance)</i> Compliance with the Transparency Code should be enhanced by publishing a list of payments made over £100, the Internal Audit report, and the supporting variance analysis and bank reconciliation to the AGAR. Note: the Clerk has already largely complied with this recommendation.	
R4	<i>(Review of Payments and VAT)</i> VAT reclaims should be made on a more regular basis.	
R5	<i>(Management of Risk)</i> The Council should review its risks on a more regular basis (half-yearly is suggested), recognising that this is an important corporate document that should inform strategic thinking. Note: the Clerk has already adjusted the risk scoring.	
R6	<i>(Management of Risk)</i> The Council should review its level of Fidelity Guarantee insurance in the light of its current and expected bank balances.	
R7	<i>(Budgetary Control and Reserves)</i> The Council should review its reserves and properly allocate them between General and Earmarked (specific project) Reserves.	