

Great Bedwyn 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 AGAR.

This report sets out the work undertaken in relation to the 2020-21 financial year. Due to the continuing impact of the Covid-19 pandemic, we have again 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 effective control systems have been maintained throughout the year. We have made two recommendations (one of which we made last year), and a number of comments on issues that the Clerk is aware of and is following up.

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 assurances to all the required assertions.

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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 again note, however, that the Current Account balance is maintained at an increasingly high level (£57,282 @ 31 March 2021, less un-presented cheques of £1,845). We therefore repeat our previous recommendation that surplus funds be regularly moved to the Business Instant Access account until they are needed, to optimise interest earnings. 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 AGAR Section 2, together with periodic budget performance information for presentation to Councillors.

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 regularly 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 April 2020 and Financial Regulations were approved in March 2020.

We are pleased to note a much improved level of compliance with the Transparency Code 2015, with a good level of documentation available on the Council's website.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

Review of Payments and VAT

We have test-checked a representative sample of payments during the year 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 Councillors are initialling the invoices, also that all payments are recorded in the minutes which are published on the Council's website.

We note that a single VAT reclaim was made during the year, for the previous year's balance.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

Assessment and Management of Risk

We note that the Council reviewed its Risk Assessment twice during the year, most recently in March 2021.

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 £10 Million respectively and Fidelity Guarantee cover at £50,000, although this is being increased to £100,000 in 2021. We have queried the apparent lack of Officials Indemnity cover with the Clerk.

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

Conclusions

No issues arise in this area warranting formal comment or recommendation.

Budgetary Control and Reserves

The Council's Minutes for January 2021 show that the Council formally agreed the 2021-22 Precept at £22,000.

We note that Council Policy is to maintain its General Reserve at 50% of the Precept, which meets best practice. However, only £9,000 is allowed for in the calculation of Reserves, which needs to be increased to £11,000 to match the stated Policy. The rest of the Council's funds (£70,224 at 31 March 2021) are regarded as Earmarked Reserves, which include £43,019 of Community Infrastructure Levy receipts.

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

Conclusions

No issues arise in this area warranting formal comment or recommendation.

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 2020.

Conclusions

No issues arise in this area 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 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, DCK Accounting. We have test-checked the system to confirm that the Clerk's pay has been properly calculated and reported to HMRC.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

Asset Registers

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. These need to be valued at net cost or, where this cannot be identified, using a suitable valuation method that can be a nominal £1. We are pleased to note that appropriate values are duly recorded in the Asset Register.

During our testing, we noted that the purchase of a notice board in September 2020, costing £282.29, has not been added to the Register. This will increase the total on the 2020-21 AGAR Accounting Statement.

Conclusions and recommendation

R2. The original figure of £56,342 shown in the draft 2020-21 AGAR (Box 9) needs to be increased by £282.29 for the new notice board.

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, subject to the Asset Register amendment detailed above, agreed the draft accounts summarised in Section 2 of the Annual Return to the underlying records.

Conclusion

We have duly signed-off the Internal Audit Certificate in the 2020-21 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 regularly 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>(Asset Register)</i> The original figure of £56,342 shown in the draft 2020-21 AGAR (Box 9) needs to be increased by £282,29 for the new notice board.	