

Great Bedwyn Parish Council

Internal Audit Report 2021-22

Chris Hall

Consultant

*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 2021-22 financial year. We have again undertaken our review for the year remotely: we wish to thank both the new Clerk and new Responsible Financial Officer (RFO) 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 undertaken sufficient substantive testing in order to support our view as to whether 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 one recommendation (which we made last year), and a number of observations 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 appropriate assurances to all the required assertions.

We would like to compliment the new Clerk and the new RFO on the manner in which they have maintained systems and procedures since joining the Council.

This report has been prepared for the sole use of Great Bedwyn Parish Council. To the fullest extent permitted by law, no responsibility or liability is accepted by Auditing Solutions Ltd to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The RFO 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, although we note an intended move to Unity Trust Bank for electronic payments during 2022-23. We again note, however, that the Current Account balance is maintained at an unnecessarily high level, often in excess of £40,000. We therefore, again, 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. We note that some long-term unpresented cheques (two of which are over 6 months old) are noted on the bank reconciliation, which requires investigation. We have also discussed with the RFO the importance of ensuring that bank reconciliations are checked by an independent Councillor in accordance with Financial Regulation 2.2.

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 (repeated from our 2020-21 report).

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 both Standing Orders (SO's) and Financial Regulations (FR's) were approved at the May 2021 Council meeting. However we note that these are not in the latest NALC Model Form, which means that important control requirements could be missed. We also note that the tendering levels in both documents are mismatched, and should be agreed at £10,000. We have discussed both of these issues with the Clerk and the RFO.

We note that, with regard to the Exercise of Public Rights undertaken in the summer of 2021, an incorrect period was stated that equalled 32 days rather than the legally stipulated 30 days. Care should be taken to ensure that the legal requirement is properly complied with.

We are pleased to note full compliance with the Transparency Code 2015, with a good level of documentation available on the Council's website, although this needs to be updated once the 2021-22 Accounts process has been completed.

Conclusions

No issues arise in this area warranting formal comment or recommendation, other than our observations concerning updated SO's and FR's, and the importance of correctly calculating the Exercise of Public Rights period.

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 note that Councillors are commonly initialling the approved invoices, and that all payments are recorded in the Minutes which are published on the Council's website.

We are concerned to note, however, that some large-scale urgent purchases have been made by Councillors and the Clerk, which have been subsequently reimbursed. As well as effectively subsidising the Council, this raises the risk that VAT may not be legally reclaimable if the invoice is not clearly made out to the Council. We have discussed with the Clerk and the RFO whether a payment card should be established for such expenditure, which is a facility provided by Unity Trust Bank.

We note that a single VAT reclaim was made during the year, for the previous year's balance. A balance of £1,933.73 remains to be reclaimed for 2021-22.

Conclusions

No issues arise in this area warranting formal comment or recommendation, other than our concern about purchases being made by individuals on behalf of the Council.

Assessment and Management of Risk

We note that the Council reviewed its Risk Assessment in March 2022, which meets the requirements of Financial Regulations for at least an annual review.

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 £100,000.

We note the play areas are due to be inspected on a monthly basis, although we can see no evidence of this in the Minutes. We have discussed the importance of these inspections, which are increasingly relied on by insurers to challenge unreasonable claims, with the Clerk and the RFO.

Conclusions

No issues arise in this area warranting formal comment or recommendation, apart from our observation about playground inspections.

Budgetary Control and Reserves

The Council's Minutes for January 2022 show that the Council formally considered and agreed the 2022-23 Precept at £22,000.

We note that Council Policy is to maintain its General Reserve at 50% of the Precept, which meets best practice. We have agreed the level of Earmarked Reserves as at 31 March 2022 with the RFO, and note that the intended level of General Reserve has been met.

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 have followed a representative sample of such receipts through the records, with no issues arising.

We note that the Council did not review its fees and charges for allotment rents during 2021-22, which is a requirement of FR9.3. However, we understand that such a review is planned for July 2022.

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 Councillors or Officers on behalf of the Council are reclaimed periodically and reimbursed, Minuted and approved as with ordinary trade invoices.

We would, however, draw the Councils attention to our earlier comments about a suitable payments card, which could make such payments more promptly and with improved control.

Salaries and Wages

The Council's staffing changed during the year, with the former Clerk being replaced by a new Clerk and a separate post of RFO. Payroll preparation and management is still outsourced to an external contractor, DCK Accounting. We have test-checked the system to confirm that the pay for both Officers has been properly calculated, with statutory deductions reported and paid over to HMRC.

We note that the most recent NJC pay award, backdated to 1 April 2021, has not yet been applied by the Council.

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 have checked that the Council's Asset Register meets the above requirement. We have also agreed purchases in the year to the cashbook, and the total quoted in the 2021-22 AGAR, with no issues arising.

Conclusions

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

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.

Conclusion

We have duly signed-off the Internal Audit Certificate in the 2021-22 Annual Return assigning appropriate 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 (repeated from our 2020-21 report).	
