

Medstead Parish Council

Internal Audit Report: 2020-21 (Interim)

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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 Annual Return.

This report sets out the work undertaken in relation to the interim Internal Audit for the 2020-21 financial year, which took place on the 28th October 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. Our programme of cover is designed to afford appropriate assurance that the Council has appropriate and robust financial systems in place that 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' as part of the Council's Annual Governance and Accountability Return (AGAR) process, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We have followed up the recommendations made in our 2019-20 reports and acknowledge that the members have noted and considered these in their deliberations and enacted the recommendations and that the council continues to make great progress in its processes and performance. We also report that, on the basis of the work undertaken to date in the current year, that the Council continues to operate adequate and effective internal controls in all areas of our review to date. Accordingly, no recommendations for consideration by the Clerk/RFO and Members have been made in this report.

We have taken into account the Council's response to the Covid-19 situation and its actions to comply with the Government directives whilst maintain a high quality service provision to the Council's constituents. We commend the Clerk/RFO for his continued professional management and administration of the Council's finance and governance functions in these most challenging of times. The logical manner in which this information is stored and presented both for the purposes of the day to day running of the council, and for external scrutiny has made the interim Internal Audit review process straightforward.

We ask that members consider the content of this report and acknowledge that the report has been formally reviewed and adopted by Council.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

Our objective in this area is to ensure that accounting records are being maintained accurately and currently and that no anomalous entries appear in the spreadsheet cashbooks maintained by the Clerk. Four bank accounts are in operation with NatWest, two relating directly to the Council with the third maintained for the Wakes Trust “Capital in Perpetuity” fund the fourth for the Council’s CIL income, together with a further Nationwide account for the Trust. A Nat West Credit Card is also in use which is settled on a monthly basis. We have: -

- Checked and agreed the opening balance recorded in the April 2020 cashbook to that recorded in the closing Accounts and certified Annual Return for 2019-20;
- Ensured that appropriate analysis of receipts and payments exists to facilitate budget performance reporting and management throughout the year;
- Checked and agreed detail of the full year’s transactions on the combined Current & Reserve Account cashbook detail, plus that for the Wakes Trust to supporting bank statements for the year to 30th September 2020;
- Similarly checked all inter-account transfers on the accounts for the year; and,
- Verified bank reconciliation detail on the combined Council’s Current, Reserve and Wakes Trust accounts cashbook detail for the months of April, May and June 2020.

Conclusion

There are no issues arising in this area of our review warranting formal comment or recommendation. We shall extend our examination of cashbook and bank account transactions at our final visit, also ensuring the accurate disclosure of the combined balances in the year’s Annual Return.

Review of Corporate Governance

Our objective is to ensure that the Council has a robust regulatory framework in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are reasonably able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation.

We note that the Council has implemented modified working practices to manage the Covid-19 situation, as far as it is possible to do so and in compliance with the Governments directives, the Council’s Standing Orders and Financial Regulations.

We also note that the Council received qualified External Auditors report pertaining once again to the FY2018-19 Annual Governance and Accountability Return, (not the period under audit) which reported that the notice of Exercise of Public Rights had been given for 29 rather than the statutorily required 30 days.

For the avoidance of doubt, the Final Update Internal Audit report issued by this auditor for the FY2019-20 period commented on that period only. We confirm our finding that the Council had properly noted the FY2018-19 External Auditor’s report and comments concerning the error in

the declaration of the FY2018-19 notice for the Exercise of Public Rights, and had declared the period for the notice of Exercise of Public Rights for the FY 2019-20 Accounts correctly. We are therefore at a loss to understand the comment made by the External Auditor in this regard.

We note that the Council has implemented all recommendations and suggestions made in our prior year Internal Audit Report.

We have commenced our review of Minutes, for the financial year to the 30th September 2020, for the Full Council and its Standing Committee meetings (excluding Planning) with no issues arising. All meetings during this period have been undertaken remotely, via Zoom, due to the Government directives concerning Covid-19. We have noted the continued high-quality of the recorded Minutes.

We note that members continue to be provided with a detailed Financial Status report each month, containing detail of account transactions, budget performance metrics and bank reconciliations, all of which we consider afford an appropriate and effective control over governance.

We also note that both the Council's Financial Regulations and Standing Orders have been reviewed again during this financial year, based on NALC model documents. The Financial Regulations (FRs) were adopted in the Full Council meeting of May 2020 under minute reference 20.065, whilst the Standing Orders were adopted in the Full Council meeting of August 2020 under minute reference 20.095 vi)

Conclusion

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

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Appropriate documentation supports payments, 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;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have again reviewed the procedures in place for receiving, checking for authenticity and accurate detail, processing by officers and formal approval for payment by members and wish to commend the Council for the effectiveness of the procedures in place and clarity of documentary evidence supporting the process.

To ensure compliance with the above criteria and due to the remote nature of the audit due to the Covid-19 directives we have examined all financial transactions payments processed in the financial year to 30th September 2020 and every fifth non-salary related payment irrespective of value and every payment in excess of £750 for compliance with the above criteria with no issues arising.

We further note, in examining both the clerk's and one-or-two-members' claims for reimbursement of expenses incurred on behalf of the Council, that VAT is being properly recorded for reclaim where till receipts identify the trader's VAT registration number.

Conclusion

There are no issues arising in this area of our review warranting formal comment or recommendation: We will continue to review the approvals process, also ensuring that VAT is reclaimed appropriately, during the year end audit review.

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

- Examined the Council's current year insurance policy with Axa, ensuring that appropriate cover is in place: with Public, Employer's and Products Liability (including Business Interruption) set at £10 million, Officers Liability, Data Protection Act liability, Liable & Slander & Liable at £500 thousand and Fidelity Guarantee at £150 thousand. We consider this level of cover appropriate for the Council's present requirements;
- Noted that the Council's Risk Assessments were last Approved and Adopted in the February 2020 meeting of the Full Council;
- Noted that the Council has revised its Playground Policy to incorporate adjustments for Covid-19. We also note that in line with Government Directives the Council's Play area was closed for a significant period and despite the best efforts of the Council vandalism occurred to play equipment at this time; and,
- We further note that the Council's Playground inspection and associated Health & Safety management remains robust and that the Council appears to have taken all reasonable steps to implement appropriate Covid-19 bio-security measures.

Conclusion

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

We take this opportunity to remind the Clerk/RFO and Members that it is a mandatory requirement for the Council's Risk Registers to be formally adopted at a meeting of the Full Council during the financial year and the adoption to be recorded in the Council's Minutes.

Budgetary Control & Reserves

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and level of precept to be drawn down. Also, that an effective reporting and monitoring process is in place. Additionally, we aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

This interim visit occurred too early in the financial year to allow formal consideration of the 2021-22 Budget setting and Precept determination process and outcome: we are, however, pleased to note that members continue to receive regular budget monitoring reports through the year generated from the spreadsheet cashbook records.

Conclusion

There are no issues arising in this area of our review warranting formal comment or recommendation: We shall undertake further work during the Year End review, to examine the Budget setting and Precept determination process and outcome, the year-end budget outturn and the appropriateness of the level of retained and Earmarked Reserves to meet the Council's spending plans.

Review of Income

In addition to the precept, the Council receives limited income, primarily from burial and associated fees, together with Sports Association fees, limited interest, S106 funds, VAT recovered and occasional hire fees for the Village Green.

We have noted that the Council has had two interments, two transfers of Grants of Rights of Burial and two secondary memorial inscriptions during the period to the 30th September 2020 that have properly been recorded in the Minutes.

Conclusion

There are no issues arising in this area of our review warranting formal comment or recommendation. Due to the remote nature of the interim audit it has not been possible to examine the physical Burial Registers and it is hoped we shall be able to do so at the Year End Audit.

Petty Cash Account

No petty cash account is in operation at the Council, subsequently, there are no issues arising in this area of our review warranting formal comment or recommendation.

Review of Payroll

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HM Revenue and Customs (HMRC) legislation as regards the deduction and

payment over of income tax and NI contributions, noting that the clerk is currently not contributing to the pension fund.

We note from the Council's minutes that the Clerk, was awarded an uplift of 1 SCP point on the harmonised NJC scale to SCP 17 from the 1st April 2020, whilst his basic working hours remaining set at twenty per week.

The Clerk prepares the Council's payroll using the HMRC Basic PAYE Tools on-line software: we have consequently checked detail of his gross monthly salary paid to the 30th September 2020, also verifying the tax and NI deductions applied to each.

Conclusion

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

Investments and Loans

The Council holds no long-term investments, surplus funds for the Council and Wake's Trust being held in the NatWest and Nationwide interest-bearing accounts. Similarly, we note that no loans are in place either repayable to or by the Council.

We note that the Council has now developed and Investment Strategy.