

## **Medstead Parish Council**

*Internal Audit Report: 2019-20 (final update)*

---

*Claire Lingard  
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.

This report sets out the work undertaken in relation to the Internal Audit for the 2019-20 financial year; the Interim review which took place on the 16<sup>th</sup> October 2019 and the Final Update review of the year which took place on the 25<sup>th</sup> May 2020.

## Internal Audit Approach

The final update review of the 2019-20 financial year, necessary to complete the Internal Audit process has been undertaken remotely due to the Covid-19 virus situation and in accordance with Government advice. All files and supporting document required to complete the audit have been supplied by the Clerk/RFO, as requested, electronically.

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

Based on the satisfactory completion of our programme of work for the year, we have concluded that the Council has, again maintained adequate and effective internal control arrangements. We have made no recommendations for approval during the financial year.

We understand that the last few months of the 2019-20 financial year have been particularly challenging for all councils, both in terms of their day to day operational and administrative functions during this unprecedented crisis. We take this opportunity to acknowledge the exemplary quality of records maintained by the Clerk/RFO who should both be commended for effecting a swift transition into an irregular working regime which has proven suitable and effective for the Council's needs. We would like to thank the Clerk/RFO for his assistance during this final update review which has ensured the smooth and successful progress of the Internal Audit.

We have completed and signed the 'Internal Audit Report', having concluded that the control objectives set out in that Report have been achieved within the financial year to a standard adequate to meet the needs of the Council.

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

# Detailed Report

## Review 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, in full, on a monthly basis. We have: -

- Checked and agreed the opening balance recorded in the April 2019 cashbook to that recorded in the closing Accounts and certified Annual Return for 2018-19;
- 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 31<sup>st</sup> March 2020;
- Similarly checked all inter-account transfers on the accounts for the year;
- Verified bank reconciliation detail on the combined Council’s Current, Reserve, CIL, and Wakes Trust accounts cashbook detail as at 31<sup>st</sup> March 2020; and,
- Checked and verified the Medstead Parish Council Accounts supporting statement to the underlying cashbooks and the supporting original documentation.

### *Conclusion*

*There are no issues arising in this area of our 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 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 all recommendations made in our prior year Internal Audit Report. The Council received a qualified External Auditors report for FY 2018-19 only on the basis that the notice of Exercise of Public Rights had been given for 29 rather than the statutorily required 30 days. we have noted that no single member of the public elected to request to examine the Council’s Accounts during that period.

We have completed our review of minutes for the Full Council and its Standing Committee meetings (excluding Planning) for the financial year to date with no issues arising. We have noted the continued high-quality of the Council’s recorded Minutes.

We note that the Council qualified to Adopt the General Power of Competence in the Finance & General Purpose Committee meeting of the 23<sup>rd</sup> October 2019 under Minute Reference 63.

We remain pleased to 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 (FRs) and Standing Orders (SOs) were re-adopted in the August 2019 meeting of the Full Council.

### ***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 their relatively low number, we have examined all payments processed in the financial year to the 31<sup>st</sup> March 2020 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. We have checked the VAT reclaim value to underlying documentation and verified the year-end balance.

### ***Conclusion***

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

## Review of 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 via Inspire, 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 Approved and Adopted at the August 2019 meeting of the Full Council. The Risk Assessments were subject of further review and were Approved and Adopted at the February 2020 meeting of the Full Council under Minute reference 31(ii); and,
- Examined the Council's playground inspection regime, noting that the Clerk undertakes a monthly visual inspection of the play area, whilst the playground inspection was undertaken by Playforce Ltd., (the previous inspector, Andy Figgins, having retired). We note that the Council Adopted a robust Playground and Recreation Area Inspection Policy, as per the recommendation in our prior year Internal Audit Report, under Minute reference 31(iii) of the February meeting of the Full Council.

### *Conclusion*

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

## Review of 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.

We note that members continue to receive regular budget monitoring reports through the year generated from the spreadsheet cashbook records.

We further note that the Council again undertook a robust Budget setting and Precept determination process which concluded at the 11<sup>th</sup> December 2019 Extraordinary meeting of the Finance & General Purpose Committee, recommending a budget of £64,544 and a Precept of £40,500 under Minute reference 66, to be taken to Full Council for formal ratification and adoption.

The Budget & Precept were confirmed and Adopted at the 11<sup>th</sup> December 2019 meeting of the Full Council under Minute Reference 232(xv)

We note that, as at the 31<sup>st</sup> March 2020 the Council has eight active Earmarked Reserves (EMRs), which have been formally established and are properly recorded within the 2019-20 financial year Accounts Supporting Statement; and,

Whilst total funds at the financial year-end stand at £128,637 (£120,584 prior year), it should be noted that £32,249 (£32,042 prior year) is ring-fenced as part of the Wake Trust's "Capital in Perpetuity" fund with further funds totalling £59,250 (£15,250 prior year) held in Earmarked reserves designated for specific purposes.

The residual General Reserve balance of approximately £37,138 (£73,292 prior year) now equates to approximately two-and-a-half months' revenue spending, which is only somewhat lower than the recognised current Chartered Institute of Public Financial Accountants (CiPFA) guidance to retain between three and six months' revenue spending based on the average prior year level.

We have noted the steps taken by the Clerk/RFO and Members to reduce the level of the Council's General Reserve position over the 2019-20 financial year, and the healthy level of its overall reserve profile.

Finally, in this area of our review we have checked and verified the variance reports provided by the Clerk/RFO with no requirement for additional information to be provided and no issues arising.

### **Conclusion**

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

## **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 reviewed burials for the current year to date, checking the interment register and supporting documents tracing each back to the receipts and cashbook with no issues arising.

### **Conclusion**

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

## **Review of 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 16 from the 1<sup>st</sup> April 2019, 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 date in the current year, also verifying the tax and NI deductions applied to the September 2019 (and prior months) salary records.

### **Conclusion**

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

## **Review of Fixed Asset Registers**

The Governance and Accountability Manual (G&AM) requires all councils to develop and maintain a register of their asset stock. The Clerk has provided an electronic copy of the updated asset register which identifies the make-up of the value recorded in the Annual Return for our examination, which we have undertaken subsequent to our visit.

The Clerk maintains a detailed and robust Asset Register, recording assets at a consistent year on year level, as required by the Governance and Accountability Manual.

We are pleased to note that the register has been updated to reflect the cost of new acquisitions in the year and that the revised total value of £415,893 (£346,501 prior year) has been correctly reflected in the value reported in the year's Annual Return at Box 9 of Section 2.

### **Conclusions**

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

## **Review of 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.*

## **Statement of Accounts and Annual Governance and Accountability 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.

As part of our review process, we have examined the Council's procedures in relation to the identification of detail for inclusion in Section 2 of the Return, which is produced using Microsoft Excel spreadsheets, and used by the Clerk/RFO to provide a detailed set of accounting statements. We have agreed detail therein to Section 2 of the 2019-20 financial year Annual Governance and Accountability Return.

### ***Conclusions***

***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 Governance and Accountability Return assigning positive assurances in all areas.***