

## **Market Lavington Parish Council**

*Internal Audit Report 2021-22*

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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 2021-22 financial year. With the assistance of the Clerk we have been able to view prime documentation for the year, to facilitate completion of our review for the year and sign off of the Internal Audit Certificate in the year's AGAR.

## **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/AGAR. Our programme of cover has again been designed to afford appropriate assurance that the Council's financial systems remain robust and 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 annual 'Internal Audit Report', which requires independent assurance over a range of internal control objectives.

## **Overall Conclusion**

We have concluded that, based on the programme of work undertaken this year, the Council continues to maintain adequate and effective internal control arrangements. In light of this we have not made any formal recommendations, although we have made a number of observations in this report which we would invite Council to consider.

We have completed and signed the 'Internal Audit Report', having concluded that, in all significant respects, the control objectives set out in that Report were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

## Detailed Report

### Maintenance of Accounting Records & Bank Reconciliation

The Council maintains its accounting system on the Rialtas Alpha system, which is in widespread use across the Small Council sector.

We have interrogated the Alpha records to determine whether the accounting records are being maintained accurately and currently and that no anomalous entries appear in the financial records. To that end, we have:

- Ensured that an appropriate analysis of income and expenditure is available in the accounting system;
- Confirmed that the accounts are in balance and that the 2020-21 outturn has been correctly brought forward into 2021-22;
- Checked and agreed sample transactions in the accounting system to the relevant Lloyds Bank (Treasurers and Business Instant) account statement.

We are pleased to note that, in line with the requirements of the Governance and Accountability Manual (G&AM), regular bank reconciliations are prepared during the year and subjected to independent Councillor scrutiny and sign-off in accordance with Financial Regulation 2.2. Care should be taken, however, to ensure that the independent Councillor is not used as a payment signatory.

#### *Conclusions*

*No issues arise in this area warranting formal comment or recommendation, other than the observation about Councillor independence.*

### Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place that Council and, where applicable, Committee meetings are conducted in accordance with the adopted Standing Orders (SO's) and that, as far as we are able to reasonably 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 note that SO's and Financial Regulations (FR's) are in place, and were last reviewed by the Council in December and June 2021 respectively. We note that the level at which formal tender action is required has been maintained at £10,000. is consistent across both documents, and the Minutes contain good evidence of tendering in practice

We have examined the minutes of all Full Council meetings for the year to determine whether any issues exist that may have either a legal or financial impact on the Council and its future financial stability, whilst also ensuring that, as far as we may reasonably be expected to ascertain, the Council has neither considered nor is considering any actions that may result in ultra vires expenditure.

The Council's website shows a good level of compliance with the requirements of the Transparency Code 2015.

### ***Conclusions***

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

## **Review of Payments**

We have reviewed all payments made during the year to determine whether the following criteria were 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 approved each payment at an appropriate meeting.
- 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 have test-checked a valid sample of payments as recorded in the Alpha system, with no issues arising. We also tested that payments had been coded correctly as part of the above sample testing.

We note that all payments tested were supported by an invoice or other appropriate document and all amounts agreed to the Alpha system (including VAT). All payments also showed evidence of approval. A complete list of approved payments is included in the Full Council Minutes.

Finally, we note that VAT is being recovered from HMRC on a quarterly basis.

### ***Conclusions***

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

## **Assessment and Management of Risk**

We note that the Council continues to maintain and review its Governance, Finance and Management Risk Register in accordance with the requirements in Financial Regulations, having reviewed its risks at the May and December 2021 meetings.

Zurich Municipal (via Community First) continues to provide the Council with insurance cover. Employer's and Public Liability cover are both in place at £10 million each, with Fidelity Guarantee cover set at £50,000 and other appropriate assets cover.

We have discussed with the Clerk the need to maintain a suitable level of Fidelity Guarantee cover, which is influenced by the current high level of balances.

### *Conclusions*

*No issues arise in this area warranting formal comment or recommendation, other than the observation about appropriate levels of insurance cover.*

## **Budgetary Control and Reserves**

We note that the 2022-23 budget was discussed at the Full Council meeting in December 2021, resulting in a detailed budget being agreed and a Precept of £66,523 being set.

The Alpha system shows that Earmarked Reserves of £43,384 have been carried forward into 2022-23. This leaves a General Reserve balance of £48,348 at 31 March 2022, which equates to approximately 73% of the approved Precept against a Best Practice target of 50%. This needs to be kept under review, although we understand the Council will soon be making a considerable investment in playground equipment which will reduce balances.

### *Conclusions*

*No issues arise in this area warranting formal comment or recommendation, other than the observation about ongoing review of balances.*

## **Review of Income**

The Council receives income, in addition to the annual Precept, from the hire of the Elisha Field and Pavilion and Old School House and small amounts of bank interest. We have test-checked a sample of transactions with no issues arising.

### *Conclusions*

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

## **Petty Cash Account**

*No petty cash account is in use at the Council, any out-of-pocket expenses incurred by the Clerk or other staff being reclaimed and paid through the usual payments procedure.*

## **Review of Staff Salaries**

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 legislation and the requirements of HM Revenues and Customs (HMRC) as regards the deduction and payment over of income tax and NI contributions.

We have test-checked salary payments made to both the Clerk and the Old School Cleaner by reference to their payslip and approved salaries, as minuted, along with the appropriate deductions of Tax and NI and payment to HMRC via the Basic PAYE Tools system.

We note that the Clerk is now a member of an appropriate pension scheme.

### ***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 by the Council, reported at purchase cost or, where that value is unknown, an appropriate valuation which can be a nominal £1.

The Council's Asset Register at 31 March 2022 was approved by Council at its meeting in March 2022. It has been amended from earlier years to reflect more appropriate valuations for the Old School and Elisha Field Pavilion. We believe the Asset Register now provides a more appropriate reflection of the Council's assets, and the variance from earlier years has been correctly detailed in the supporting variance analysis to the AGAR.

### ***Conclusions***

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

## **Investments and Loans**

The Council does not hold any investments outside of its Lloyds bank accounts.

Two loans with PWLB are in place with repayments made at half-yearly intervals. We have confirmed the balance outstanding at 31 March 2022 to the PWLB Statement, and have also ensured the accuracy of the residual loan liability disclosed at Box 10, Section 2 of the AGAR.

### ***Conclusions***

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

## **Statement of Accounts and AGAR**

The AGAR incorporates the Council's Annual Accounts, which are subject to external audit scrutiny and verification.

We have verified the various Alpha outputs and supporting data obtained during our audit to the proposed AGAR, with no issues arising.

### ***Conclusions***

***There are no matters arising in this area of our review process and we have duly signed off the Internal Audit Certificate at Page 3 of the AGAR, assigning positive assurances in all relevant categories***

Rec. No.	Recommendation	Response
<b>No recommendations made.</b>		