

Market Lavington Parish Council

Internal Audit Report 2019-20

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 2019-20 financial year. Due to the impact of the Covid-19 pandemic, we have undertaken our final review for the year remotely: we wish to thank the Clerk in 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 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 ten internal control objectives.

Overall Conclusion

We have concluded that, based on the programme of work undertaken this year, the Council has again maintained adequate and effective internal control arrangements. We do have some recommendations for improvement for the Council's consideration. These are detailed in the body of the report and set out in an Action Plan as an Appendix.

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 Clerk maintains the Council's accounting records using a spreadsheet, which is more than adequate for the volume of annual transactions with a separate column for any VAT incurred. The Council has two bank accounts for day-to-day use with Lloyds Bank. We note that, during 2020/21, the accounting records will migrate to the Rialtas Alpha system, which Auditing Solutions is licensed to access from backup files to be provided by the Clerk.

We have test-checked a valid sample of cashbook entries for the financial year to supporting bank statements. We have also verified the accuracy of the year-end cashbook / bank statement reconciliation ensuring that no anomalous items, such as out of date cheques, are in existence. 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 member scrutiny and sign-off. Finally, we have verified the accurate disclosure of the year-end account balances in the AGAR.

Conclusion

We are pleased to record that no issues arise in this area warranting formal comment or recommendation.

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 (SOs) 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 SOs and Financial Regulations (FRs) are in place. We are also pleased to note that the level at which formal tender action is required has been revised to £10,000 and is consistent across both documents.

We have examined the minutes of all full council, HRAF committee, management and finance committee and old school committee 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.

We note that, during 2020/21, the Council is intending to launch its own website. It is recommended that the opportunity be taken to improve the level of detail made available with regard to the Transparency Code, such as current Standing Orders and Financial Regulations, the Code of Conduct and Complaints Policy, and the Risk Register.

Conclusions and recommendation

R1. Enhance the new website (to be launched during 2020/21) with additional information to add to the Council's compliance with the Transparency Code.

Review of Payments

We have reviewed all payments made during the year to ensure that 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 at a Council meeting 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.

Payments can be made by one of four different methods: cheque, direct debits, internet transfer, or debit card (introduced February 2019). The Council has a payments procedures document which sets out the controls in place around each method.

We have test-checked a valid sample of payments as recorded in the cashbook. We also tested that payments had been coded correctly on the cashbook as part of the above sample testing.

We are pleased to note that all payments were supported by an invoice or other appropriate document and all amounts agreed to the cash book (including VAT). All payments also showed evidence of approval (completion of the certification slip which is stuck to the invoices).

Each full council meeting includes a full list of payments made since the last meeting and a full list of payments to be made in the following month. This is reviewed and signed off by councillors. We tested one month at random from the minutes to the cashbook (October 2019) and found that all agreed.

The Council has voluntarily registered for VAT with regard to hiring out the Old School. Hence the quarterly claims now set out all VAT to be recovered and all VAT received on relevant income.

Conclusion

We are pleased to record that no issues arise in this area.

Assessment and Management of Risk

We are pleased to note that, in addition to the Council's range of health and safety risk assessments, they have a Governance, Finance and Management Risk Register which was reviewed approved at the Council meeting in June 2019. However, to assist the Council in its corporate and strategic management, it is recommended that this document is reviewed more frequently than the minimum annual review indicated by Financial Regulations (eg. half-yearly).

Zurich Municipal provides the Council with insurance cover. We have examined the 2019-20 insurance schedule and consider the level of cover afforded appropriate for the Council's current requirements with Employer's and Public Liability cover both in place at £10 million, Fidelity Guarantee cover set at £50,000

Conclusions and recommendation

R2. Undertake at least a half-yearly review of the Risk Register, to inform Council's corporate and strategic management.

Budgetary Control and Reserves

We note that the 2020/21 budget was discussed at the Full Council meetings in December 2019 and January 2020, resulting in a detailed budget being agreed and a Precept of £64,030 being set against planned expenditure of £67,888.

We are also pleased to note that the clerk routinely provides members with budget performance reports throughout the year and have examined the final outturn for 2019-20 with no significant or unexplained variances existing.

Finally, in this area, we have examined the status of the Council's reserves, with earmarked and restricted reserves totalling £10,225.92 leaving a General Reserve balance of £25,586 at 31st March 2020, which equates to approximately four months' revenue spending at current levels. We consider this appropriate for the Council's ongoing revenue spending.

Conclusions

We are pleased to record that no issues arise in this area.

Review of Income

The Council received income in addition to the annual precept from the hire of Elisha Field and pavilion and Old School House and small amounts of bank interest. We note that, following significant additional income in 2018/19 from grants and a PWLB loan, receipts have now returned to a more normal level for the Council.

Conclusion

We are pleased to record that no issues arise in this area.

Petty Cash Account

No petty cash account is in use at the Council with any out-of-pocket expenses incurred by the clerk or contract handyman reclaimed and paid accordingly through the usual trader payment 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.

The 1996 Employment Act requires that all employees are provided with a formal contract of employment. We note that contracts are in place for the clerk and Old School House cleaner and that any changes in terms and conditions of employment have been reflected in appropriate letters confirming the changes and have been signed by both the employee and on behalf of the Council.

We have test-checked salary payments made to each employee by reference to their payslip and approved salaries, as minuted, along with the appropriate deductions of Tax and NI and payment to HMRC.

We are also pleased to note that the appropriate annual Tax and NI returns have been prepared for 2019-20 for submission to HMRC and that the Council has complied with the Pension Regulator's reporting requirements.

Conclusion

We are pleased to record that no issues arise in this area.

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 at the previous year's recorded level uplifted or decreased to reflect the acquisition of any new assets or any disposals: we are pleased to note compliance with this requirement.

Conclusions

We are pleased to record that no issues arise in this area.

Investments and Loans

The Council does not hold any investments.

Two loans with PWLB are in place with repayments made at half-yearly intervals. We have, as part of our above payment review test sample, examined the four separate repayments made during 2019-20 by reference to the PWLB repayment demands and have also ensured the accuracy of the residual loan liability disclosed at Box 10, Section 2 of the year's Annual Return by reference to a statement from the PWLB.

Conclusion

No matters have been identified in this area warranting formal comment or recommendation.

Statement of Accounts and AGAR

Recent local government legislation is aimed at increasing the awareness of the public and openness in the management of public finances. The AGAR provides the basis for the external auditor's certificate, and, given the limited information contained in Section 1 of the Return, it is considered good practice for Councils to continue to produce a more detailed statement identifying the nature of the Council's financial transactions during any given year.

We are pleased to note that the Clerk has produced a Summary Receipts and Payments Account to support the detail in the Annual Return, together with Supporting Notes.

We have duly agreed all detail on these documents and the year's AGAR to the underlying financial and other records.

Conclusion

We have agreed all detail in the Summary of Receipts and Payments Account, AGAR and Supporting Statement and have duly signed off the Internal Audit Report assigning positive assurances in each of the areas.

Rec. No.	Recommendation	Response
R1.	<i>(Corporate Governance)</i> Enhance the new website (to be launched during 2020/21) with additional information to add to the Council's compliance with the Transparency Code.	
R2.	<i>(Management of Risk)</i> Undertake at least a half-yearly review of the Risk Register, to inform Council's corporate and strategic management.	