

## **Market Lavington Parish Council**

*Internal Audit Report 2020-21*

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*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 2020-21 financial year. Despite the impact of the Covid-19 pandemic, 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 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

For the financial year 2020-21 the Council has changed its accounting system to the Rialtas Alpha package, 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;
- Noted that, while no brought forward figures from 2019-20 appear in the Alpha system, the accounts are in balance and that the 2020-21 outturn agrees with the reported 2020-21 AGAR balances;
- 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 member scrutiny and sign-off.

#### *Conclusions*

*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, although SOs have not been reviewed since November 2019. We note that the level at which formal tender action is required has been maintained at £10,000 and is consistent across both documents.

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 new website launched during 2020/21 shows a good level of compliance with the Transparency Code 2015, although this should be enhanced by publishing a list of all payments made over £100, and the Asset and Risk Registers.

### ***Conclusions and recommendation***

*R1. Continue to enhance the new website to add to the Council's compliance with the Transparency Code.*

## **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.

### ***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.

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, with Fidelity Guarantee cover set at £50,000 and other appropriate assets cover.

### ***Conclusions***

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

## **Budgetary Control and Reserves**

We note that the 2021-22 budget was discussed at the Full Council meetings in December 2020, resulting in a detailed budget being agreed and a Precept of £65,230 being set.

The Alpha system shows that Earmarked Reserves of £29,115 have been carried forward into 2021-22. This leaves a General Reserve balance of £38,256 at 31 March 2021, which equates to approximately seven months' revenue spending at current levels. We consider this appropriate for the Council's ongoing revenue spending.

### ***Conclusions***

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

## **Review of Income**

The Council receives 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 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 with any out-of-pocket expenses incurred by the clerk or other staff are 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 via the Basic PAYE Tools system.

We note that, while the Council currently complies with the Pension Regulator's reporting requirements, the Clerk will be provided with a suitable pension scheme during 2021-22.

### *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 at the previous year's recorded level uplifted or decreased to reflect the acquisition of any new assets or any disposals.

The Council's Asset Register at 31 March 2021 generally meets this requirement, although we note that two assets (telephone boxes) have not been valued. We would recommend that these small assets are given a nominal £1 value each.

We are more concerned at the valuations of the Old School Building and the Elisha Pavilion which, we understand, are based on 2012 full replacement insurance valuations. We believe this significantly overstates the value of the assets as they currently stand, and also their original value. While accepting the position for 2020-21, we would recommend that the Council calculates a much more acceptable valuation for these assets (ideally the original cost if this can be traced in the financial records) and restates the position in the AGAR (Box 9) in future years.

### *Conclusions and recommendation*

R2. *The Council should determine a more reasonable asset valuation for the Old School House and Elisha Field Pavilion.*

## **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 2021 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 with regard to the proposed 2020-21 figures. We note, however, that the totals for Staff Costs (Box 4) and All other payments (Box 6) have been restated for 2019-20 by £216 each relating to revised accounting treatment for the Working From Home Allowance. This should be clearly noted on the approved AGAR.

### *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
R1.	<i>(Corporate Governance)</i> Continue to enhance the new website with additional information to add to the Council's compliance with the Transparency Code.	
R2.	<i>(Assets)</i> The Council should determine a more reasonable asset valuation for the Old School House and Elisha Field Pavilion.	