

Horton Parish Council

Internal Audit Report 2021-22

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Background

The Accounts and Audit Regulations introduced from 1st April 2001, as amended periodically, require all Town and Parish Councils to implement an independent Internal Audit (IA) examination of their accounting records and systems of internal control and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR).

This report sets out the work undertaken in relation to the 2021-22 financial year. We have again made arrangements to conduct the year's review at the offices of Old Windsor PC (OWPC) on 25th April 2022 having undertaken earlier work at our own offices: we thank the Clerk in assisting the process, delivering all necessary documentation either in electronic format in advance of our visit or to the OWPC offices on the above date.

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 mis-recording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover is 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 'IA Certificate' as part of the Council's AGAR process, which requires independent assurance over several internal control objectives.

Overall Conclusion

We are pleased to again conclude that, based on the programme of work undertaken during our audit this year, the new Clerk and Council have continued to maintain appropriate and effective internal control arrangements. We have, however, identified one or two matters requiring attention before adoption of the year's AGAR and its submission to the external auditors.

We have completed and signed the 'Annual IA Certificate' in the year's AGAR, 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.

We take this opportunity to remind the Clerk and Council of the requirements of the guidance notes in the preface to the year's AGAR in relation to the documentation that should be displayed on the Council's website, together with the need to ensure compliance with the timing requirements for publication of the Notice of Public Rights to examine the Council's documentation for the financial year.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The new Clerk / RFO has continued to maintain the Council's accounting records in an appropriate spreadsheet format with a single account in operation with Unity Bank. Our objectives in this area are to ensure that the accounting records are maintained accurately and in a timely manner with detail reconciled routinely to the bank account in use. We have consequently: -

- Checked to ensure that the closing balances reported in the 2020-21 accounts and AGAR have been "rolled-over" correctly as opening balances for 2021-22;
- Verified transactions recorded in the spreadsheet cashbook to the supporting bank statements for the full financial year;
- Verified the content of the quarterly and year-end bank / cashbook reconciliations, also noting that members have again been provided with detail of and review each quarter-end reconciliation; and
- Ensured that the year-end balance is accurately recorded in the year's AGAR at Section 2, Box 8.

Conclusions

We are pleased to report that appropriate accounting records have been maintained throughout the 2021-22 financial year with reconciliations prepared quarterly, submitted to, reviewed and signed-off by a nominated member. Consequently, no issues arise warranting formal comment or recommendation.

Review of Corporate Governance

Our objective in this area is to ensure that the Council has robust corporate governance documentation and procedures in place; that Council meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we may be reasonably expected to ascertain as we do not attend meetings, no actions of a potentially unlawful nature have been or are being considered for implementation.

We have examined the Council's minutes for the financial year to determine whether any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability, noting last year that both SOs and Financial Regulations (FRs) were reviewed and re-adopted by the Council during 2019-20: no subsequent review has occurred.

We have previously acknowledged appropriate reference to the requirements of the 2015 Public Contracts Regulations in both SOs and FRs, noting that the FRs referred to a tender limit of £25,000, which, as indicated previously, we considered too high for a Council the size of Horton suggesting that a more appropriate limit would be £10,000 as in the Council's previous FRs. We noted last year that, following receipt of our 2019-20 report, members considered the position and determined to keep the level at £25,000.

We again wish to thank the Chairman for completing our Governance Questionnaire. We are also pleased to note that the external auditors signed off the 2020-21 AGAR following action to amend the prior year values in certain cells as requested by them.

We take this opportunity to remind the Clerk, RFO and Council that they need to ensure compliance with the Council's website disclosure requirements, as set out in the preface to the year's AGAR and in accordance with the Accounts and Audit Regulations 2015.

Conclusions

We are pleased to report that no issues arise in this area this year 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;
- All payments are subject to appropriate approval in accordance with the Council's approved procedures;
- Payments are supported by appropriate documentation, 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; and
- VAT has been appropriately identified for periodic recovery.

We have again reviewed the Council's approach to the approval and authorisation of release of funds to traders and staff and consider that they are generally sound, examining documentation supporting all payments during the year for compliance with the above criteria noting that invoices are now being signed by members confirming their review and approval for payment.

We note that the final 2020-21 quarter's VAT reclaim, together with the first quarter's VAT for 2021-22 was reclaimed and repaid by HMRC in August 2021. The second and third quarters' VAT reclaims for 2021-22 were also submitted and repaid during the financial year with the fourth quarter's reclaim prepared and submitted at the close of the year.

Conclusions and recommendation

We are pleased to record that no significant issues or concerns arise from our work in this area this year. However, in examining the payments processed during the year, we noted that a payment to SLCC on 19th November 2021 of £144 (incl. VAT) had been analysed incorrectly as a Staff cost on the cashbook: this should be identified as an Admin expense and detail of the Staff costs at Box 4 of the draft AGAR provided for our review be reduced by that amount with a corresponding increase included at Box 6.

R1. An appropriate adjustment should be made to the draft AGAR financial detail provide for our examination at Boxes 4 & 6, increasing the latter by £120 and reducing the former by that same amount.

Assessment and Management of Risk

Local councils are required to put in place appropriate arrangements to assess and manage all potential risks, financial and other, to which they may be exposed, also ensuring that appropriate insurance cover is in place.

We are pleased to acknowledge the further review and re-adoption in October 2021 of the previously prepared Risk Management & Assessment Register, which we consider remains appropriate for the Council's present needs.

We have examined the current year's insurance schedule with Hiscox and consider that cover continues to be appropriate for the Council's present needs with Employer's and Public Liability cover both in place at £10 million, together with Fidelity Guarantee cover at £500,000.

We have previously noted that the Council's play areas are subject to periodic inspections by a member who provides a verbal report to the Council. This is supplemented by an annual inspection undertaken by a suitably qualified agent who provides the Council with a formal report. We are pleased to that, following our recommendation last year, more formalised records are now being maintained.

Conclusions

We are pleased to record that no matters have been identified in this area this year warranting formal comment or recommendation.

Budgetary Control and 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 the level of precept to be drawn down from the Royal Borough: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains sufficient 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, following due debate, the Council finalised its budget and precept deliberations for 2022-23 formally adopting the latter at the January 2022 full Council meeting at £45,405.

We again note that the Clerk / RFO continues to provide members with accounting detail including quarterly bank reconciliations and reports identifying performance against the approved budget and have examined the year-end outturn position noting the Clerk's commentary on the variances as recorded in the Cashbook spreadsheet detail with no concerns identified warranting further enquiry or explanation: obviously, the Covid situation has again had an impact in certain areas.

The Council's reserves at the financial year-end have increased to £34,929 (£27,097 at 31st March 2021). The balance equates to approximately 8½ months' revenue spending at the 2021-22 level and sits comfortably within the generally recognised and acceptable holding of between three and twelve months' revenue spending.

Conclusions

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

Review of Income

The Council receives income from a limited number of sources in addition to the precept, primarily by way of grants, including CIL moneys and recoverable VAT. We have agreed detail of income received to bank statements and, where available, other supporting documentation.

Petty Cash Account

The Council does not operate a petty cash account, any out-of-pocket expenses incurred by the Clerk or RFO being reclaimed through the normal payment process.

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 Act 1998 and the requirements of HMRC legislation as regards the deduction and payment over of income tax and NI deductions and employer contributions. We note that the Council uses the services of an external payroll bureau.

To ensure compliance with the above objectives, we have: -

- Ensured that the gross salaries applied in 2021-22 to the former Clerk and RFO and new Clerk / RFO have been paid at the approved rate of pay by reference to the September 2021 and March 2022 applicable payslips;
- Noted that the 2021-22 nationally agreed pay award has not been paid during the year and remind the Clerk / RFO that it should be backdated to her appointment date, together with the need to pay arrears to the former Clerk and RFO until their date of resignation;
- Verified the accurate calculation of any Income Tax, National Insurance and pension contributions have been calculated at the appropriate rates by reference to the staff tax codes and relevant HMRC and Pension Fund Administrator tables.; and
- Ensured the appropriate and prompt payment of tax and pension contributions to HMRC and the Pension Fund Administrators during the year.

Conclusions

We are pleased to record that no issues have been identified in this area of our review process this year warranting formal comment or recommendation.

Asset Registers / Inventories

The Practitioner's Guide requires all councils to maintain a record of all assets owned. We are again pleased to note that a formal register remains in existence and that it has been updated appropriately to take account of the one disposal during 2021-22 with a consequent decrease in the asset value reported in the year's AGAR at Section 2, Box 9.

Conclusions

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

Investments and Loans

The Council has no long-term investments, nor does it have any loans in place repayable either by or to it.

Statement of Accounts and AGAR

Section 2 of the AGAR Form 3 now serves as the Council's formal Statement of Accounts subject to external audit review and certification. We have examined the content of the detail to be recorded in Section 2 for 2021-22 agreeing that detail to the underlying financial and other records, subject to the need to adjust Boxes 4 & 6 by the aforementioned £120 in relation to the net cost of the SLCC payment in November 2021.

The Clerk provided a copy of the prepared draft AGAR for our examination: unfortunately, the provided form is that for completion by a Parish Meeting, not a Council. Consequently, we have provided the Clerk with an electronic copy of the appropriate AGAR document which will need to be entered, presented to Council for adoption and subsequent submission to the external auditors for review and certification.

Conclusions

We are again pleased to record that no significant issues arise in this area this year and, based on the outcome of our work programme for the year and on the assumption that the above adjustment will be made, we have signed off the IA Certificate in the AGAR assigning positive assurances in each relevant area.

Rec. No.	Recommendation	Response
Review of Expenditure and VAT		
R1	An appropriate adjustment should be made to the draft AGAR financial detail provide for our examination at Boxes 4 & 6, increasing the latter by £120 and reducing the former by that same amount.	

