

Horton Parish Council

Internal Audit Report 2020-21

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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 2020-21 financial year. We managed to make safe arrangements to conduct the year's review effectively at the offices of Old Windsor PC (OWPC) on 10th May 2021 having undertaken earlier work at our own offices based on documentation provided by the Clerk / RFO in electronic format: we thank both in assisting the process, delivering all necessary documentation either in electronic format in advance of 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 have concluded that, based on the programme of work undertaken during our audit this year, the Council has maintained appropriate and effective internal control arrangements. We did, however, identified a few minor anomalies in the spreadsheet cashbook provided well in advance of our visit with detail amended appropriately by the RFO.

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 RFO has continued to maintain the Council's accounting records in an appropriate spreadsheet format with a single bank 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: -

- Checked to ensure that the closing balances reported in the 2019-20 accounts and AGAR have been “rolled-over” correctly as opening balances for 2020-21;
- Verified transactions recorded in the spreadsheet cashbook to the supporting bank statements for the full financial year (due to their low volume);
- Verified the content of the year-end bank / cashbook reconciliation, also noting that members are now 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.

Conclusions

We are pleased to report that appropriate accounting records have been maintained throughout the 2020-21 financial year with reconciliations prepared quarterly, submitted to, reviewed and signed-off by a nominated member. We have, however, noted a few issues in relation to the presentation of detail in the cashbooks as initially provided to us, as follows: -

- *Due to an oversight, prior year bank charges in March 2020 (£18.00) were not recorded in that year's cashbook and consequently were overlooked in the detail reported in that year's AGAR: consequently, they had to be added as an opening entry in the 2020-21 cashbook;*
- *Each quarterly payment total value (Cashbook column L “total for the quarter”) should be recorded in Column G and be deducted from the sum of the quarter's brought forward balance plus any receipts in the quarter: this should then agree with the calculated value below (i.e., year's opening balance, plus receipts to date in year, less payments to date in year).*

We have reworked the cashbook for the year in line with the above detail and provided the Clerk and RFO with updated detail. These amendments affect the values to be reported in the year's AGAR and we have, consequently, provided both officers with that revised detail.

R1. The cashbook records should be maintained as detailed in the body of the report, to ensure that accurate information on current year budget performance is available for members and also generates accurate data for inclusion in the AGAR Section 2.

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, also noting that both SOs and Financial Regulations (FRs) were reviewed and re-adopted by the Council during 2019-20.

We acknowledged appropriate reference to the requirements of the 2015 Public Contracts Regulations in those revised 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 note 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 also note that the external auditors signed off the 2019-20 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 significant issues arise in this area this year warranting formal comment or recommendation.

We drew attention last year to the intended NALC review of both SOs and FRs following the UKs exit from the EU: promulgation of such revised documentation has, understandably, been delayed due to the Covid situation. As and when we hear of the promulgation of this documentation, we will advise the Council accordingly.

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 reviewed the Council's approach to the approval and authorisation of release of money 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, presumably due to the Covid situation, invoices bear no indication of specific review by members when authorising payments. Whilst we appreciate the impact of the various lockdowns and social distancing requirements, we urge that the previously in place sign-off of invoices, etc be reintroduced as soon as practicable.

We note that the VAT incurred in 2019-20 has been reclaimed and repaid by HMRC early in 2020-21. VAT incurred in 2020-21 totals £3,931.83, of which we note the first three quarters has been reclaimed with the final quarter's balance of £600.51 to be reclaimed following close of the financial year.

Conclusions and recommendation

We are pleased to record that no significant issues or concerns arise from our work in this area this year, although, as above, we urge that the previously in place evidenced member scrutiny of invoices is reimplemented as soon as is practicable.

R2. The previously in place member review and sign-off of purchase invoices when approving and releasing payments should be re-implemented as soon as practicable following easing of lockdown restrictions.

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 2020 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 AXA 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 noted last year that the Council's play areas were subject to periodic inspections by a member who provides a verbal report to the Council. This is supplemented by an annual inspection arranged by Zurich and 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

Following action to address our prior year recommendation, we are pleased to record that no matters have been identified 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 2021-22 formally adopting the latter at the January 2021 full Council meeting. However, the

approving minutes do not identify the actual total value of the precept to be requested from the Royal Borough.

We again note that the 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 with no concerns identified warranting further enquiry or explanation: obviously, the Covid situation has had an impact in certain areas.

The Council's reserves at the financial year-end have reduced to £27,100 (£32,500 as of 31st March 2020). The balance equates to approximately 6½ months' revenue spending at the 2020-21 level and is considered appropriate for the Council's ongoing spending requirements.

Conclusions and recommendation

The full formal value of the precept to be drawn down from the Royal Borough should be minuted, rather than just the Band D equivalent value.

R3. *The actual total value of the precept must be recorded formally in the approving minutes: the 2021-22 precept value should be recorded retrospectively at the next full Council meeting.*

Review of Income

The Council receives income from a very limited number of sources in addition to the precept, primarily by way of grants, bank interest 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 2020-21 to the Clerk and RFO have been paid at the approved rate of pay, with members approving the Clerk and RFOs' salaries appropriately, whilst also approving implementation of the national pay award applying from 1st April 2020;
- Verified the gross and net salary payable to both by reference to two months' payslips (September 2020 & March 2021) ensuring the gross salaries are in line with the new NJC spinal point;
- Noted that no National Insurance employee deductions or Council contributions were applicable, as the salary for both was below the relevant thresholds; and

- Ensured the appropriate and prompt payment of tax deducted to HMRC 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 new acquisitions during 2020-21 with a consequent increase in the asset value reported in the year's AGAR.

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 now forms 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 2020-21 agreeing that detail to the underlying financial and other records.

Conclusions

We are again pleased to record that no issues arise in this area this year and, based on the outcome of our work programme for the year, we have signed off the Internal Audit Certificate in the AGAR assigning positive assurances in each relevant area.

Rec. No.	Recommendation	Response
Review of Accounting Arrangements and Bank Reconciliations		
R1	The cashbook records should be maintained as detailed in the body of the report, to ensure that accurate information on current year budget performance is available for members and also generates accurate data for inclusion in the AGAR Section 2.	
Review of Expenditure and VAT		
R2	The previously in place member review and sign-off of purchase invoices when approving and releasing payments should be re-implemented as soon as practicable following easing of lockdown restrictions.	
Budgetary Control & Reserves		
R3	The actual total value of the precept must be recorded formally in the approving minutes: the 2021-22 precept value should be recorded retrospectively at the next full Council meeting.	