



---

# **Stambridge Parish Council**

*Internal Audit Report 2019-20*

---

*Prepared by John Watson*

*Auditing Solutions Ltd*

## **Background and Scope**

The Accounts and Audit Regulations introduced from 1<sup>st</sup> April 2001 require all Town and Parish Councils to implement an independent internal audit 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). The Council complied accordingly, in terms of independence from the Council decision making process, appointing a local practice to provide the service for the Council from the outset. Subsequently, we at Auditing Solutions Limited, were again appointed to provide the function to the Council in 2019-2020.

Due to the impact of the Covid-19 pandemic, we have undertaken our review for the year remotely: we wish to thank the Clerk for assisting in 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.

This report sets out the work undertaken in relation to the 2019-20 financial year which we finalised at our office on 11<sup>th</sup> June 2020.

## **Internal Audit approach**

In undertaking our review for the year, we have 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 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 'Internal Audit Report' as part of the Council's AGAR process, which requires independent assurance over several internal control objectives.

## **Overall Conclusion**

We have concluded that, on the basis of the programme of work undertaken during our audit this year, the Council maintains adequate and effective internal control arrangements. We are pleased to acknowledge the quality of records maintained by the Clerk and thank him for his assistance, which has ensured the smooth progress of our review process.

We have completed and signed the 'Annual Internal Audit Report' 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.

# Detailed Report

## Accounting Records and Bank Reconciliations

The Clerk maintains the Council's accounts using an Excel spreadsheet which we consider more than adequate for a Council of this size. The Council operates two bank accounts with Metro Bank plc and one bank account with the National Savings and Investment Bank.

Our objective has been to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. We have to date:

- Checked and agreed the opening balance with the 2018-19 closing Statement of Accounts and the certified AGAR detail;
- Ensured that an effective analysis structure is in place and is appropriate for purpose;
- Ensured that the accounts remain 'in balance' at the end of the period under review;
- Checked and agreed details of transactions in the excel spreadsheet to the two Metro Bank accounts statement detail for the entire year noting that all were complete and accurate and had been prepared in a timely manner;
- Checked and agreed details of transactions in the National Savings Current Account bank statement detail for the year noting that all were complete and accurate and had been prepared in a timely manner;
- Checked that bank reconciliations are prepared routinely; and
- Verified the accuracy of detail in the bank reconciliations as at 31<sup>st</sup> March 2020 ensuring that no long-standing uncleared cheques or other anomalous entries exist.

### Conclusions

***We are pleased to report that there are no issues arising in this area of our review warranting formal comment or recommendation. We have ensured the accuracy of the closing balances declared in the AGAR.***

## Review of Corporate Governance

Our objective is to ensure that the Council has a robust regulatory framework in place; that Council meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are able to ascertain (as we do not attend Council or Committee meetings), no actions of a potentially unlawful nature have been or are being considered for implementation. We have in this regard:-

- Noted that Standing Orders were reviewed and adopted at the Council meeting held on 25th June 2019 (minute 54.19/20 refers);
- Noted that Financial Regulations were also reviewed and adopted at the Council meeting held on 25th June 2019 (minute 54.19/20 refers);
- Further noted that these documents continue to include the latest wording recommended by NALC in respect of the requirements relating to advertising all tenders with an

anticipated value in excess of £25,000 to be formerly advertised on the Government “Contract Finder” website;

- Also noted that the Clerk has issued written instructions covering all computer and software passwords together with directions for an emergency locum clerk;
- Examined the minutes of meetings of the Full Council for the year to identify whether any issues arise that may have an adverse effect on the Council’s future financial stability with no issues arising; and
- Noted that the value of the precept approved for 2020-21 has been formally recorded in the minutes of the Council meeting held on 11<sup>th</sup> December 2019 at a level of £32,640, with no Council Tax Support Grant being payable (minutes 188 & 189 19/20 refer).

### **Conclusions**

***We are pleased to report that there are no issues arising in this area of our review 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;
- 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;
- Members have met their fiduciary duties approving release of each payment in accordance with extant legislation;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The current expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified for periodic recovery.

We have examined the transactions in the excel spreadsheet for the months of October and November 2019 and for the month of March 2020 to ensure compliance with the above criteria and are pleased to record that, other than two minor errors, no issues have been identified with all the criteria duly met. We have discussed these errors with the Clerk and understand they will be rectified.

We do note, however, that the cheque signatories have not been initialling the invoices relating to the cheques they are signing and recommend that, in line with good practice, this be done in future. Council may like to consider obtaining a rubber stamp to facilitate this procedure.

We are pleased to note that the Clerk submits manual VAT reclaims to HMRC on an annual basis. We have checked and agreed the submission for the year to 31st March 2020, as far as we have been able, to the underlying excel spreadsheet with no issues arising.

We do note that, during the year under review, the Parish Council received a repayment from HMRC in respect of a claim made on behalf of Stambridge Memorial Hall. We understand that this claim was made by Stambridge Parish Council on advice received from a third party. It is our opinion that this advice was incorrect. We are pleased to note that the Clerk has now resolved the matter with HMRC.

### ***Conclusions and recommendations***

***We are pleased to report that, other than the issue of the cheque signatories initialling the invoices relating to the payments being made, there are no issues arising in this area of our review.***

*R1. Cheque signatories should initial the invoice relating to the cheques being issued.*

## **Assessment and Management of Risk**

Our aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks identified and to minimise the opportunity for their coming to fruition. We have:

- Noted that a comprehensive review of the risk register was undertaken and approved by Council at its meeting on 10th October 2019 (minute 133.19/20 refers);
- Examined the Council's current insurance policy with Axa Insurance Ltd with cover being provided in the year under review to 31<sup>st</sup> May 2020, to ensure that appropriate cover is in place, noting that Public and Employers Liability cover is £10m and that Fidelity Guarantee cover is £150,000; and
- Noted that the Play Area in the Parish is owned and managed by The Stambridge Memorial Hall.

### ***Conclusions***

***We are pleased to report that there are no issues arising in this area of our review warranting formal comment or recommendation.***

## **Budgetary Control and Reserves**

We aim in this area of our work to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount to be precepted on the District Council, that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans. To meet this objective, we have:

- Noted from our review of the minutes that members continue to be provided with regular management accounting information;
- Noted that a 2020/21 budget exercise was undertaken and approved by Council at their meeting on 19<sup>th</sup> December 2019 (minutes 188 & 189. 19/20 refer);

- Further noted as detailed previously in this report that the 2020/21 precept has been agreed at the Council meeting held on 19<sup>th</sup> December 2019 at £32,640 (minutes 188 & 189.19/20 refer);
- Considered the appropriateness of the level of general reserves to meet the Council's ongoing revenue spending requirements noting that reserves at the year-end total £12,403 of which £1,337 are earmarked reserves; the balance of £11,066 equates to between four and five months average revenue expenditure which is within the generally accepted guidelines of between three and six months' expenditure; and
- Reviewed the year-end budget outturn for any significant unexplained variances with none in evidence.

### **Conclusions**

***We are pleased to report that there are no issues arising in this area of our review warranting formal comment or recommendation.***

## **Review of Income**

Other than the Precept and occasional Grants, the Council receives limited other income from allotment rents and bank interest.

In examining the Council's sources of income, we aim to ensure that all such income is identified, invoiced (where applicable) and recovered at the appropriate rate and within a reasonable time scale, also that it is banked promptly in accordance with the Council's Financial Regulations.

We note that the allotment year commences on 1<sup>st</sup> April each year and we have examined the procedures in place for recording detail of the allotment income, ensuring that all fees due have been calculated correctly and that payment has been received within a reasonable time span. We are pleased to note that, at the time of our review, all rentals had been paid.

Finally, we note that the rentals due to the Council are reviewed as part of the budget process

### **Conclusions**

***We are pleased to report that there are no significant issues arising in this area of our review process warranting formal comment or recommendation.***

## **Petty Cash Account**

The Council does not operate a formal petty cash account, any "out-of-pocket expenses" incurred by the Clerk or members being reimbursed each month through the routine payment process, samples of which we have checked and agreed for the year as noted earlier in this report.

## **Review of Staff Salaries**

In examining the Council's payroll function, we aim to confirm that existing legislation is being appropriately observed as regards adherence to the requirements of HMRC with regard to the deduction and payment over of income tax and NI contributions. To meet this objective, we have:

- Reviewed the Council's payroll preparation procedures noting that salaries are calculated by the Clerk utilising the HMRC PAYE Tools software;
- Checked to ensure that the Council has reviewed and approved appropriate pay scales for staff agreeing the salaries in respect of the year under review;
- Checked and agreed the amounts paid to individuals by reference to the approved pay rates, examining payments made in November 2019;
- Ensured that PAYE & NIC deductions (where applicable) have been made accurately by reference to the HMRC Basic PAYE Tools software; and
- Ensured that the appropriate month's deductions and contributions have been paid over to HMRC in a timely manner;

### **Conclusions**

***We are pleased to report that there are no issues arising in this area of our review warranting formal comment or recommendation.***

## **Asset Registers**

The Governance and Accountability Manual requires that all Councils develop and maintain a register of assets identifying detail of all land, buildings, vehicles, furniture and equipment owned by the Council.

We are pleased to note that a formal asset register is in place although the individual value of these assets is not recorded. We suggest that this be done in future, We further understand that the Asset Register has been prepared using purchase cost uplifted or decreased to reflect the acquisition or disposal of any assets during the financial year.

### **Conclusions**

***We are pleased to report that there are no issues arising in this area of our review warranting formal comment or recommendation. We have ensured the accurate disclosure of Assets in the AGAR.***

## **Investments and Loans**

Our objectives here are to ensure that the Council is "investing" surplus funds, be they held temporarily or on a longer term basis in appropriate banking and investment accounts; that an appropriate investment policy is in place; that the Council is obtaining the best rate of return on any such investments made; that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

We have confirmed that the Council holds no long-term investments requiring disclosure in the Statement of Accounts, nor are there any loans with external bodies in existence repayable by it. We do note that the Council has made a loan to the Stambridge Village Hall Trust.

### ***Conclusions***

***We are pleased to report that there are no issues arising in this area of our review warranting formal comment or recommendation.***

## **Statement of Account and AGAR**

The 1996 Accounts and Audit Regulations required all Councils to prepare annually a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council's financial affairs.

We have reviewed the AGAR detail prepared by the Clerk, as generated from the Excel spreadsheet with no obvious errors or anomalies in the detailed content

### ***Conclusions***

***No issues have been identified in relation to the verification of detail in the Statement of Accounts and AGAR this year.***

***On the basis of our detailed work during the course of the year on the Council's systems of financial control and content of the detailed Statement of Accounts and that summarised detail set out in the AGAR, we have signed off the Internal Audit Report of the AGAR assigning positive assurances in each relevant area.***



Rec. No.	Recommendation	Response
<b>Review of Expenditure</b>		
R1	Cheque signatories should initial the invoice relating to the cheques being issued.	