

Pucklechurch Parish Council

Internal Audit Report 2020-21

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Background

Statute requires all town and parish councils to arrange for 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).

This report sets out the work undertaken in relation to the 2020-21 financial year. Due to the impact of the Covid-19 pandemic, we have of necessity undertaken our review for the year remotely having collected the records from the Clerk: we wish to thank the Clerk in assisting the process, providing all necessary documentation in a combination of hard copy and electronic format 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, 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 is designed to afford appropriate assurance that the Council has robust financial systems in place that 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 Certificate as part of the Council's AGAR process, which requires independent assurance over several control objectives.

Overall Conclusion

We have concluded that, based on the generally satisfactory conclusions drawn from our programme of work for the year, the Council has again maintained adequate and effective internal control arrangements. Whilst there are no significant concerns arising, we have identified a few areas where we consider action is required to correct detail in the cashbook and, consequently, the financial detail to be recorded in the year's AGAR to ensure compliance with best accounting practice.

Notwithstanding those matters, we have completed and signed the 'Internal Audit Certificate' assigning positive assurances in each area, having concluded that the control objectives set out therein have been achieved within the financial year to a standard adequate to meet the needs of the Council. We also wish to acknowledge the much improved manner in which the supporting documentation is now being maintained and thank the Clerk accordingly.

We also take this opportunity to remind the Clerk 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

Review of Accounting Arrangements & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. The Clerk is now using a spreadsheet cashbook to record the Council's financial transactions with two bank accounts in use with NatWest plc. To facilitate our certification of the AGAR, we have: -

- Ensured that an appropriate analysis of receipts and payments exists in the spreadsheet cashbook;
- Ensured the accurate carry forward of the 2019-20 closing balances to the 2020-21 spreadsheet cashbook detail;
- Ensured that the cashbook remains in balance throughout the year and at the financial year-end;
- Checked and agreed the full year's transactions in both accounts agreeing detail to the supporting bank statements;
- Verified the accurate recording of detail on the combined bank reconciliations as at 30th September 2020 and 31st March 2020 ensuring that no long-standing cheques or other anomalous reconciling entries exist, and
- Ensured the accurate disclosure of the combined cash and bank balances in the year's AGAR.

Conclusions and recommendation

In examining the cashbook detail for the year, we noted that three cheques have been entered in the March 2021 cashbook that were only approved at and issued following the 7th April 2021 meeting totalling £473.04. We also noted that 4 other payments, including 2 Direct Debits and 2 unspecified payment types were recorded in the cashbook and dated 31st March 2021, but not clearing through the bank until 1st April 2021 or later.

In accordance with standard accounting practice, cheques should be entered in cashbooks on the date they are drawn, whilst Direct Debits (and payments made by BACS / online) should, as advised in our 2019-20 report, only be recorded in cashbooks on the date they appear on bank statements. The above referenced payments should be recorded in the 2021-22 cashbook and, as the Council prepares its detailed Statement of Accounts and AGAR financial report on an Income / Expenditure basis be recorded as creditors as at 31st March 2021.

RI. The cashbook, as presented for our review requires amendment to reflect the correct dates for entry of cheques (i.e., on the date they are drawn / effectively issued) and, for Direct Debits, on the date they appear on bank statements: the seven items referred to in the body of the report will consequently be reflected in the year's Accounts as creditors.

Review of Corporate Governance

Our objective 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 are reasonably able 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 year to identify whether any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability and are pleased to report that no such issues appear to exist.

We note that both SOs and Financial Regulations (FRs) were reviewed and re-adopted at the Council meeting in June 2020, with both reflecting detail in the NALC model documents in relation to tendering and compliance with the Public Contract Regulations 2015.

Conclusions

In examining the minutes, we are again pleased to note that payment detail is submitted to the Council and formally incorporated in the minutes, including detail of payees' names, cheque numbers and the payment to each. No issues arise requiring formal comment or recommendation in this area this year.

As highlighted in last year's report, following the UKs exit from the EU, NALC were, prior to the Covid-19 crisis, preparing a further revision to both SOs and FRs which was due to be promulgated in the summer of 2020: this timescale has obviously slipped due to the Covid situation: we will keep the Council advised as soon as we hear of any developments in this respect.

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and approved 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, where no other form of invoice is available;
- All payments are being reported to Council;
- VAT has been calculated correctly for periodic recovery; and
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount.

We have reviewed the procedures for the approval and processing of trader and other payments and consider them sound with two members examining and signing off individual invoices, etc when signing cheques, detail of payments also being presented to Council meetings on a schedule, with each entry also duly initialled.

We note that a single VAT reclaim was prepared and submitted to HMRC for 2019-20, repayment being received in July 2020. In examining the 2020-21 paid invoices recorded in the cashbook, we noted one minor instance (April 2020 Direct Debit in favour of Sage) where VAT of £4.06 has not been identified in the cashbook for recovery and suggest that the cashbook be amended accordingly, and the amount be added to the 2020-21 VAT reclaim if not already prepared and submitted.

Conclusions and recommendation

We are pleased to report that no significant issues have been identified in this area, although we urge that the cashbook and VAT reclaim for 2020-21 be amended to correct the, albeit small, oversight referred to in the body of the report.

R2. The cashbook and 2020-21 VAT reclaim, if not yet submitted, should be amended to include the overlooked VAT identified in the April cashbook.

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 in order to minimise the opportunity for their coming to fruition.

We are pleased to note that a formal Risk Register remains in place and that it has been reviewed and formally adopted by the Council at its meeting on 17th June 2020, as required by “The Practitioner’s Guide”.

The Council’s insurance cover has again been provided through the Local Council’s scheme: we have examined the year’s schedule and consider that appropriate cover is in place with Employer’s and Public Liability both set at £10 million, together with Fidelity Guarantee cover at £250,000.

Conclusions

No issues arise in this area.

Precept Determination and Budgetary Control

We aim in this review area 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 parent 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.

We again note that the Council has considered its budgetary and precept requirements for 2021-22 agreeing the precept at the full Council meeting held on 16th December 2020 with the value minuted appropriately as £84,476.

We are again pleased to note that the Clerk provides members with detail of the Council’s budgetary performance during the year and have examined the year-end outturn with no areas of concern identified warranting further enquiry.

We have reviewed the level of reserves retained by the Council, which have increased to approximately £109,000 (£97,200 as at 31st March 2020) including earmarked reserves of £86,000 leaving a residual General Fund reserve balance of £23,000: this equates to 5 months’ revenue spending at the 2020-21 level and is considered appropriate for the Council’s current needs.

Conclusions

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

Review of Income

In considering the Council's income streams, we aim to ensure that robust systems are in place to ensure the identification of all income due to the Council, to ensure that income is invoiced, where appropriate, in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council.

To gain assurance that appropriate controls are in place, we have examined income arising from allotment rents, noting that a formal register of tenants is in place with all rents for 2020-21 received and banked appropriately, together with 6 tenants' rental fees for 2021-22 paid in advance in March 2021.

We note that 5 interments occurred during 2020-21 and have ensured that the appropriate fees have been charged and recovered in accordance with the approved scale of fees and charges, which we noted previously were reviewed and increased from August 2019.

Conclusions

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

Petty Cash Account

A residual balance of £37.46 in respect of a Neighbourhood Plan cash float was held at the start of the financial year: we note that, in line with our 2019-20 report suggestion, the funds have been used to partially defray an "out-of-pocket expense during the year, resulting in a NIL cash holding balance at the year-end.

Conclusions

No residual issues exist in this area.

Review of Staff Salaries

We note that the Council continues to outsource production of its monthly payroll. We have examined the former Clerk's employment contract previously and have now examined that of the new Clerk.

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the requirements of HMRC legislation and the deduction and payment over of income tax and NI contributions. To meet this objective, we have examined the Clerk's September 2020 and March 2021 payslips noting that the national pay award applying from 1st April 2020 was duly paid in September 2020 together with arrears from 1st April. We have: -

- Ensured that the Clerk's monthly gross pay has been calculated in accordance with the approved spinal point on the 2020-21 pay scale and for the contracted hours;
- Ensured that Income Tax codes and National Insurance Tables are being applied correctly;
- Noted that the Clerk contributes to a pension scheme through NEST; and
- Ensured that payments to HMRC and NEST are made appropriately each month.

Conclusions

We are pleased to record that the procedures in place for the determination and physical payment of the Clerk's salary continue to operate soundly.

Fixed Asset Register

The Practitioner's Guide requires all Councils to maintain a comprehensive register of all assets owned and leased by the Council. We are pleased to note the continued existence of an appropriate register: no additions or disposals have occurred during 2020-21 and, consequently, the asset value to be reported in the year's AGAR at Section 2, Box 9 remains unchanged from that reported in 2019-20 following amendment for the issues raised in that year's report.

Conclusions

No matters of concern have been identified in this review area this year.

Investments and Loans

The Council has no "investments" in place currently, all funds being held in the two NatWest bank accounts. Similarly, there are no loans in place either repayable by, or to the Council. We are, however, pleased to note the development and adoption of a formal Investment Policy, which was duly adopted in April 2021.

Statement of Accounts and AGAR

The Accounts and Audit Arrangements require councils to submit their annual Accounts in the form of a summarised financial statement in the AGAR. Due to the need to amend the cashbook and, potentially, other year-end detail as highlighted in the first section of this year's report, we have not at this stage agreed the values to be reported in the 2020-21 AGAR and will issue an addendum to this section of the report following receipt of the revised financial detail from the Clerk.

Conclusions

On the basis of the generally satisfactory conclusions drawn from our review programme for the year, we have signed off the Internal Audit Certificate in the year's AGAR assigning positive assurances in each relevant area.

Rec. No.	Recommendation	Response
Review of Accounting Arrangements and Bank Reconciliations		
R1	The cashbook, as presented for our review requires amendment to reflect the correct dates for entry of cheques (i.e., on the date they are drawn / effectively issued) and, for Direct Debits, on the date they appear on bank statements: the seven items referred to in the body of the report will consequently be reflected in the year's Accounts as creditors.	
Review of Payments & VAT		
R2	The cashbook and 2020-21 VAT reclaim, if not yet submitted, should be amended to include the overlooked VAT identified in the April cashbook.	