

Tormarton 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). We were approached by the Clerk and appointed by the Council to undertake the 2019-20 internal audit review in early May 2020.

This report details the work undertaken in relation to the 2020-21 financial year following provision of documentation in support of the year's financial transactions and governance arrangements. We wish to thank the Clerk in assisting the process, providing all necessary documentation in either electronic or hard copy format to facilitate completion of our review and sign off of the Internal Audit Certificate in the year's AGAR.

Internal Audit Approach

In undertaking this year's review of the Council's records, we have again paid due regard to the materiality of transactions and their susceptibility to any 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's financial systems are 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 Certificate' in the year's AGAR, which requires independent assurance over a series of internal control objectives.

Overall Conclusion

We are pleased to acknowledge the actions taken to address issues identified in last year's report with only a few residual matters requiring attention that we have discussed with the Clerk, who has made the necessary amendments to the cashbook records to ensure the accurate disclosure of the year's transactions in the AGAR.

We ask that members and the Clerk consider the recommendations made and, wherever practicable, take appropriate action to implement them: we also ask that we be provided with a formal response to each recommendation in due course indicating the intended course(s) of action.

We have duly signed off the Internal Audit Certificate in the year's AGAR assigning appropriate assurances in each relevant area of the Internal Audit Certificate in this year's AGAR.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

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 accounts in use. The Clerk has maintained the Council's accounting records in spreadsheet format with two accounts in place with Nat West, a Current Account used for day-to-day transactions and surplus funds held in a Business Reserve Account, which receives small amounts of bank interest each month.

As part of our review process, we have checked detail of receipts and payments throughout the year, as recorded in the cashbook spreadsheet, to the supporting bank statements for both accounts. In reviewing the cashbook detail, as initially provided, we noted that the opening balances recorded for the year were those per the bank statements as at 31st March 2020 with the two uncleared cheques at that date again entered in the spreadsheet cashbook as payments for 2020-21. This would effectively result in the overstatement of the 2020-21 payments as these transactions were previously recorded in the 2019-20 Accounts and AGAR.

We also noted that the inter-account transfer of £481.00 on 15th September 2020 had been included in the detail of receipts and payments in the spreadsheet effectively overstating both receipts and payments for the year. We have discussed detail of both these issues with the Clerk with appropriate amendments made to the final spreadsheet cashbook.

We have also examined a sample of bank reconciliations prepared during the year, including that as at 31st March 2021 ensuring agreement with the spreadsheet cashbook and to bank statements at that date. As reported last year, best practice, as set out in the NALC model Financial Regulations (Para 2.2 refers), indicates that bank reconciliations should be undertaken at least quarterly through the course of the financial year, detail being examined and "signed-off" by a nominated councillor not involved in the payment authorisation process. We are pleased to note that appropriate action has been taken to address this with the monthly prepared bank reconciliations and bank statements reviewed and signed-off accordingly.

Finally, in this area we have ensured the accurate disclosure of the combined cashbook account balances in the year's AGAR at Section 2, Box 8.

Conclusions

We are pleased to record that no residual issues arise in this area this year 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, 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) have been further

reviewed, brought into line with the latest NALC model documents and been re-adopted by the Council in June 2020.

We have examined the content of these documents noting that appropriate reference is made to the requirements of the Public Contracts Regulations 2015 with a tender limit set at £5,000, as recommended in our 2019-20 report.

We wish to thank the Chairman for completing our Governance Questionnaire, which helps us form a judgement on the soundness of the Council's overall governance arrangements.

Finally, in this area, we are pleased to acknowledge that the Council has taken appropriate steps to ensure compliance with the Transparency Code.

Conclusions

We are pleased to record that no issues arise in this area this year warranting formal comment or recommendation: we will continue to monitor the Council's approach to governance at future years' reviews.

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 payments to traders, as advised in discussion with the Clerk and confirmed by the Chairman in our Corporate Governance Questionnaire. We are pleased to acknowledge the positive action taken to improve control in this area in line with our 2019-20 report recommendation.

Due to their low volume, we have examined documentation supporting all payments made in the year with no issues arising other than noting that expended VAT had not been identified in one or two cases for recovery as part of the year's reclaim: we have discussed this with the Clerk and advised that appropriate adjustment should be made in the cashbook to help ensure such recoverable VAT is not overlooked when preparing and submitting the next reclaim, that for 2020-21 having already been prepared, submitted to and been repaid by HMRC in March 2021.

Conclusions and recommendation

Whilst no significant matters have been identified in this area, care needs to be taken to ensure that all recoverable VAT is identified for inclusion in the annual reclaim to be submitted to HMRC.

RI. Provided invoices are made out in the name of the Council and / or a till receipt bearing a VAT Registration number is received, the VAT may be reclaimed from HMRC: the un-reclaimed VAT expended in 2020-21 will need to be added to the 2021-22 reclaim when it is prepared.

Assessment and Management of Risk

Local councils are required to put in place appropriate arrangements to assess and manage all potential risks, financial and others, to which they may be exposed, also ensuring that appropriate insurance cover is in place (The Practitioner's Guide refers). We are pleased to acknowledge the development and formal adoption during 2020-21 of an appropriate Risk Management Strategy and Risk Register following our recommendation last year and consider the documentation appropriate for the Council's present requirements.

We have examined the 2020-21 insurance schedule and consider that cover is 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 £250,000. Appropriate insurance is also in place for the various premises, street furniture and equipment, etc owned by the Council.

Conclusions

No matters have been identified in this area this year warranting 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 South Gloucester District Council: 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 general reserves to cover any unplanned expenditure that might arise.

We note that, following due deliberation, the Council finalised its budget and precept deliberations for 2021-22 formally adopting the latter at the December 2020 meeting at £7,315.

We note that members continue to be provided with detail of monthly bank balances and payments for approval during the course of the financial year, also now noting that they are provided with periodic reports on performance against the approved budget.

The Council's reserves at the financial year-end have increased marginally over the prior year from £13,500 to £15,337: we note the existence of 10 separate earmarked reserves totalling £9,011 as at 31st March 2021: the residual General Fund reserve balance equates to approximately 5 months' revenue spending at the 2020-21 level and is considered appropriate for the Council's ongoing requirements.

Conclusions

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

Review of Income

The Council receives income from limited 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 for the financial year.

Petty Cash Account

The Council does not operate a petty cash account.

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: -

- Noted that the Council approved the Clerk's salary and working hours as detailed in the formal employment contract, which we examined last year;
- Ensured that the gross salary applied in 2020-21 to the Clerk has been paid at the approved rate of pay in accordance with the revised national NJC pay scales effective from 1st April 2020 with arrears due from 1st April 2020 paid with the October 2020 salary, the value of which we have also confirmed;
- Verified the net salary payments and tax deducted by reference to a sample of months' payslips including, as above, that for October 2020;
- Noted that no National Insurance employee deductions or Council contributions were applicable, as the salary is below the relevant threshold; and
- Noted that no tax or NI contributions were applied during the year based on the HMRC advised tax code, with earnings below the NI threshold. We understand that the Clerk has recently received advice of a change to the tax code, which may result in a small, by value, payment being required to HMRC.

Conclusions

We are pleased to record that no concerns have been identified in this review area.

Asset Registers / Inventories

The Practitioner's Guide requires all councils to maintain a record of its stock of owned assets. We are pleased to note that a formal register is in existence and have reviewed the content accordingly. In doing so, we noted that the register includes detail of property, land, street furniture and office equipment, also noting that the register identifies detail of the nominal cost price and insurance value.

We are pleased to note that, following last year's review of the Council's asset register, it has been reviewed and updated with "donated" assets now recorded with a nominal value of £1, in

accordance with the Practitioner's Guide and photographs of all assets now included. This has resulted in a significant reduction in the value of assets to be reported in the year's AGAR.

Conclusions

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

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. However, as the Council's annual receipts and payments are both below the £25,000 threshold, the Council will again certify itself "exempt" from the external audit process.

We have examined and agreed the detail to be recorded in Section 2 for 2020-21 with no issues arising.

Conclusions

Based on the satisfactory conclusions drawn from our work programme for the year, we have signed off the Internal Audit Report in the Part 2 AGAR assigning positive assurances in each relevant area.

Rec. No.	Recommendation	Response
Review of Expenditure and VAT		
R1	Provided invoices are made out in the name of the Council and / or a till receipt bearing a VAT Registration number is received, the VAT may be reclaimed from HMRC: the un-reclaimed VAT expended in 2020-21 will need to be added to the 2021-22 reclaim when it is prepared.	