



Uplyme Parish Council

Internal Audit Report 2020-21

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Background and Scope

The Accounts and Audit Regulations introduced from 1st 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. Currently, we at Auditing Solutions Limited, provide the function to the Council in 2020-2021.

Due to the impact of the Covid-19 pandemic, we have again undertaken our review for the year remotely: we wish to thank the new Clerk for assisting in the process, providing all necessary documentation to facilitate completion of our review for the year and the sign off of the Internal Audit Certificate in the year's AGAR.

This report sets out the work undertaken in relation to the 2020-21 financial year which we finalised at our office on 21st April 2021.

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 general quality of records maintained by both the outgoing and incoming Clerks and thank them for their 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 one bank account with Unity Bank plc.

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 2019-20 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 Unity Bank account statement detail for the entire 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 31st March 2021 ensuring that no 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 13th May 2020 (minute 20/97 refers);
- Noted that Financial Regulations were also reviewed and adopted at the Council meeting held on 13th May 2020 (minute 20/97 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;

- 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 2021-22 has been formally recorded in the minutes of the Council meeting held on 9th December 2020 at a level of £44,482.85, with no Council Tax Support Grant being payable (minute 20/217 refers).

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;
- Section 137 expenditure is correctly identified where appropriate;
- 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 year to ensure compliance with the above criteria and are pleased to record that, other than the fact that the previous Clerk did not claim the VAT input tax on certain of his expenses, there are no issues arising. We have discussed these errors with the incoming Clerk and understand they will be rectified.

We do note, however, that Members are approving and signing invoices retrospectively. Whilst we appreciate that the impact of Covid-19 does make it difficult to follow normal procedures, we consider this to be bad practice and suggest that invoices be approved and signed prior to any payment being made.

We are also pleased to note that the Clerk submits manual VAT reclaims to HMRC on an annual basis. We have not been able to check and agree the submission for the year to 31st March 2021 as this had not been prepared at the time of the audit.

Conclusions and recommendations

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

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 13th May 2020 (minute 20/97 refers.);
- Examined the Council's current insurance policy arranged through Came and Co with Hiscox Insurance as part of a long term continuous policy with cover being provided in the year under review to 5th April 2022, 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 previous Clerk and a Councillor conducted regular inspections of the Parish Council play area with an annual inspection being carried out by a RosPA accredited Company.

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 2021/22 budget exercise was undertaken and approved by Council at their meeting on 9th December 2020 (minute 20/217);
- Further noted as detailed previously in this report that the 2021/22 precept has been also been agreed at the Council meeting held on 9th December 2020 at £44,482.85 (minute 20/217 refers);
- 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 £51,903. We note that included in earmarked reserves of £15,505 is a sum of £1,200 relating to maintenance of the Millennium Copse. We understand that this is an ongoing expenditure and, in our opinion, should be considered as part of the general reserve. The revised figure of earmarked reserves is therefore £14,509, the balance of general reserves

of £37,597 equating to over eleven months average revenue expenditure which is above 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 other income from burial ground fees.

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 have checked the burial register for the year to the forms received from the undertakers to the bank income with no issues arising.

We understand that the Clerk has been receiving "Certificates for Burial or Cremation" from the undertakers by email, the reason being given that this is a Covid-19 requirement. We would point out that, where we have reviewed the burial procedures at other Town and Parish Councils, the undertakers have been providing hard copies of these certificates. We suggest that the Clerk investigates whether the provision of emailed copies of these documents is acceptable and legal.

Finally, we note that the burial ground fees 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 March 2021;
- 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;

We are disappointed to note that there are various discrepancies during the year relating to the outgoing Clerk.

The incoming Clerk has identified that the outgoing Clerk has calculated his salary incorrectly. There were two payments in February but the Tax/NI calculation was incorrect. This resulted in a payment being made of £743.73 instead of £862.75. The adjustment of £119.02 will be rectified in April. Additionally the incorrect PAYE Code Number has been applied. We understand HMRC will deal with this directly with the outgoing Clerk.

Additionally we have identified that the outgoing Clerk has been underpaying himself by 4p per hour. We suggest that no action is taken in this regard.

Conclusions

We are pleased to report that, other than the discrepancies detailed above, 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.

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.

We suggest that photographic records be maintained of all Assets owned by the Parish Council. This could be useful in the event of an insurance claim.

Conclusions

We are pleased to report that, other than the issue of identifying the individual cost of items on the Asset Schedule, 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.

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.