

Crudwell Parish Council

Internal Audit Report 2020-21

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*For and on behalf of
Auditing Solutions Ltd*

Background

Statute requires all town and parish councils to arrange for an independent internal audit examination of their accounting records and system of internal control. The results of our work and a summary of the Council's accounts is 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 undertaken our review for the year remotely: we wish to thank the Clerk for enabling the process, providing all necessary documentation in electronic format to facilitate completion of our review. We have, obviously in the circumstances, reduced the volume of transactions examined, whilst still ensuring governance and financial controls remain effective.

Internal Audit Approach

In undertaking the review for the year, 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 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' which is part of the AGAR process and requires independent assurance over eleven internal control objectives.

Overall Conclusion

We have concluded that, based on the satisfactory completion of our annual programme of work, the Council has maintained satisfactory and effective internal control arrangements.

We have completed and signed the 'Internal Audit Report' in the year's AGAR assigning positive assurance in the specified control areas.

We wish to thank the Clerk for her assistance in completing our work and commend her on the clarity of the records. We request this report is presented to Members and the Council confirms to us when it has met the 2020/21 publication requirements posting the accounts and AGAR detail on its website in line with the Transparency Code.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Clerk has maintained the year's accounting records in spreadsheet format, detail of which has been used to feed into the year-end financial report at Section 2 of the AGAR. Given their low volume, we have verified detail of all transactions for the year, as recorded in the cashbook to the Lloyds' current and deposit bank account statements, also verifying the accuracy of the brought forward balances as at 1st April 2020 to the prior year' closing balances.

We have checked and verified the year-end bank reconciliations, (31st March 2021) also ensuring the accurate disclosure of the year-end balances in the AGAR at Section 2, Box 8.

Conclusion

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

Review of Corporate Governance

We have examined the Council minutes for the financial year as posted on the website at the time of our review, to determine, as far as we are reasonably able to ascertain, whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability, also that the Council has not undertaken nor is planning to undertake any work or decisions that may result in ultra vires spending. We are pleased to record that no such issues appear to exist at present or to be developing.

We thank the Chairperson for completing our Governance questionnaire, which serves to further clarify the Council's operative controls and afford us with further confirmation of their general soundness.

We note the Council reviewed and adopted its Standing Orders in September 2018 basing these on the NALC model. We note the Financial Regulations were reviewed in March 2021.

We understand the Council meets the requirements of the General Power of Competence, but this has not been evidenced recently in the minutes. From our review of the 2020/21 payments, we have not noted any area where it would have been necessary for the Council to rely on the General Power of Competence.

It is a requirement for the internal auditor to check the prior year audit was advertised, we have confirmed this was done.

Conclusions

The Council considers governance issues regularly at its meetings, however, if the Council wishes to rely on the General Power of Competence this needs to be recorded in the minutes.

Review of Expenditure and VAT

Our objective in this area is to ensure that the Council has appropriate arrangements in place to monitor and control the incurring of expenditure and for the approval and authorisation of payment release. We have reviewed the procedures in place and consider them sound affording a good level of assurance of Members' involvement in the approval of expenditure.

We have reviewed a sample of payments made during the year to ensure that they were supported by a suitable invoice. Our sample comprised 20 payments and totalled £11,882 by value, representing some 66% non-pay expenditure in the year of £17,986. All payments in our sample were supported by invoices.

We reviewed further the cash book, checking on a sample basis, to confirm payments were recorded in the minutes. We further noted that VAT was recorded and reclaimed periodically.

Conclusion

Based on our work the Council's payments are approved and supported by suitable documentation.

Assessment and Management of Risk

The Governance and Accountability Manual requires all councils to consider, develop and adopt formally at least once annually a suitably designed financial risk assessment register. We note that Crudwell has one covering financial and management risks. The response to our Corporate Governance Questionnaire confirms this was reviewed by the Council in March 2021 and consideration during the year is documented in the Council minutes.

We note that the Council's insurance cover is provided by Zurich with public liability cover at £12m, employers liability at £10m and Fidelity Guarantee cover at £50,000.

We note that the play area is subject to independent safety inspections.

Conclusion

The Council has arrangements for managing risks.

Budgetary Control and Reserves

The Council's minutes, together with the supporting papers provided to Council, indicate that members have considered and agreed the 2021-22 budget and precept, setting the latter at £15,757 at the December 2020 meeting. Members considered key areas of spend and reviewed earmarked reserves.

We are pleased to note that Members continue to receive periodic updates on the Council's financial standing and performance against budget throughout the year.

We have reviewed the year end income and expenditure noting the explanations provided by the Clerk for variances between 2020/21 and the prior year.

Overall reserves at 31st March 2021 were £24,749 (£28,196 as at 31st March 2020). We note the Council has earmarked reserves of £16,000, leaving a general balance of £8,749. This compares to spending in the year of £22,579.

Conclusions

No issues arise in this area warranting formal comment or recommendation. The general balance equates to some 4.6 month's spending which is within the normal range of 3 to 8 months spend for a parish council.

Review of Income

The Council receives, in addition to the annual precept, income from bank interest, grants and donations, allotment rents and recoverable VAT. We have:

- Agreed the precept for 2020/21 of £15,707 to the amount set and recorded in the Council's minutes and to the amount recorded on the list of precepts published by the Government detailing all demands for the year by English councils;
- Agreed the receipt of interest for the year to the bank statements;
- Reviewed the allotment register;
- Agreed the miscellaneous receipt from 'Gigaclear', received in the year of £166.14 to supporting paperwork; and
- As previously noted we reviewed the VAT reclaims agreeing the receipt into the accounts to the claims.

Conclusion

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

Petty Cash Account

We are required to confirm in the AGAR the Council's control over petty cash as appropriate.

We note the Council's policy not to maintain any form of cash float. Any out-of-pocket expenses incurred are reclaimed and paid accordingly in line with normal trader payment procedures.

Salaries and Wages

We note the Council continues to use a payroll bureau to process pay and that it employed one Clerk during the year. We have confirmed that payroll costs are recorded separately in the cash book and compared costs year on year for reasonableness. We have test checked approval of salary costs to the minutes as posted on the Council website. We test checked the calculation of tax deductions and confirmed amounts were paid to HMRC confirming also a P60 was prepared at the year end.

Conclusions

No matters arise from this area of our review.

Asset Registers

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We are pleased to acknowledge the existence of an appropriate register. We note there were no additions or disposals during the year and agreed the year end balance to box 9 of section 2 of the AGAR.

Conclusions

There are no issues arising from this area of our review this year.

Investments and Loans

The Council has no funds in investments, other than the Lloyds deposit account on which a small amount of interest is received monthly. This was tested as part of the bank reconciliation work reported above. No loans are in existence.

Statement of Accounts and AGAR

Data for inclusion in the 2020-21 AGAR has been based on the cashbook and asset register detail. We have checked the transfer of data from the cash book and asset register to the AGAR.

Conclusions

No additional issues have arisen in this area this year and we have duly signed-off the Internal Audit Report in the AGAR providing a copy for the Clerk's necessary further action. 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.