
Sutton Bridge & Wingland 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 (IA) examination of their accounting records and system 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 again undertaken our review for the year remotely: we wish to thank the Clerk in assisting the process, providing all necessary documentation in electronic format to facilitate completion of our review for the year and sign off of the IA 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 mis-recording 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 'IA Certificate' as part of the Council's AGAR process, which requires independent assurance over several internal control objectives.

Overall Conclusion

We have concluded that, based on the programme of work we have undertaken, the Council has again maintained adequate and effective internal control arrangements during the year. 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.

We have completed and signed the 'IA Certificate' in the year's AGAR assigning positive assurances in each relevant area.

We take this opportunity to remind the Clerk of the requirements of the guidance notes in 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

Maintenance of Accounting Records & Bank Reconciliations

Our objective in this area is to ensure that accounting records are being maintained accurately and on a timely basis, and that no anomalous entries appear in cashbooks or financial ledgers.

The accounting records have again been maintained using an Excel spreadsheet with two bank accounts in use with TSB and a further account with Unity Bank, the latter account having been opened in 2019-20.

To ensure the appropriateness and accuracy of the recording of transactions, we have:

- Checked and agreed the opening balances for 2020-21 to the closing balances and certified AGAR for 2019-20;
- Ensured that the spreadsheet analysis structure is appropriate for purpose;
- Verified all transactions for the financial year in each of the three accounts in operation to relevant bank statements;
- Verified the accuracy of the year-end combined account bank reconciliation for 2020-21, ensuring that no long outstanding unrepresented cheques or other anomalous entries exist;
- Ensured that the accounts remain “in balance” throughout the year; and
- Verified the accurate disclosure of the combined year-end account balances in the AGAR at Section 2, Box 8.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation. However, given the increasing volume of annual financial transactions, we suggest that the Council consider the acquisition of an appropriate accounting package, such as Scribe or RBS Rialtas which are both used extensively across this sector of Local Government. Both packages provide appropriate financial and management / budget account reporting documentation, together with bank reconciliations, also automatically generating an annual Statement of Accounts / Balance Sheet and information for inclusion in the year’s AGAR.

Review of Corporate Governance

Our objective here 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 (SOs) and that, as far as we are reasonably 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, consequently: -

- Examined the Council’s minutes for the financial year to ensure that no issues affecting the Council’s financial stability either in the short, medium or long term exist, also that no legal issues are in existence whereby the Council may either be considering or have taken decisions that might result in ultra vires expenditure being incurred;
- Noted that Standing Orders were last reviewed and adopted by Council at their meeting in May 2020 and Financial Regulations in October 2019, both having been reviewed subsequently;

- Noted appropriate reference to the extant EU Regulations in relation to contracting and tendering in both documents, including the requirement to formally advertise any contractual work in excess of £25,000 on the Government Contract Finder Website; and
- Noted the issue of a clean external audit report for 2019-20.

We also wish to thank the Chairman for completing and signing-off our Corporate Governance Questionnaire which affords us a further degree of assurance as to the Council's governance framework and controls.

Conclusion

We are pleased to report that there are no significant issues arising in this area of our review.

We have previously drawn attention to the intended NALC review of both SOs and FRs following the UKs exit from the EU: promulgation of such revised documentation: this has, understandably, been delayed to the Covid situation. As and when we hear of the promulgation of this documentation, we will advise the Council accordingly.

Review of Expenditure & VAT

Our objective here is to ensure that:

- Council resources are released in accordance with the approved procedures and budgets;
- Appropriate documentation supports payments, 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;
- Payments are correctly analysed in the accounting records and end of year accounts;
- VAT has been appropriately identified and coded to the control account for periodic recovery; and
- Section 137 payments have been identified accordingly and are within the Council's spending limit.

Due to the impact of the Covid-19 pandemic and our need to undertake this year's review remotely and to also reduce the impact on officers, we have selected a sample of non-pay related transactions for review this year. Our test sample includes 19 individual payments during the year including all those individually in excess of £1,000 plus a random sample of others: the total value of £20,275 equated to 57% of the non-pay related expenditure for the year. We are pleased to note that payment invoices are being stamped with the Clerk and two councillor's initials added appropriately.

We are again pleased to note that VAT reclaims are prepared and submitted to HMRC at the end of each quarter and have agreed their detail to the underlying spreadsheet cashbook detail.

Conclusions and recommendation

We are pleased to report that there are no significant issues arising in this review area this year.

Assessment and Management of Risk

Our objective 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 operational/health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks to minimise the opportunity for their coming to fruition.

We have examined the Council's approach to risk management noting that the Council last approved the risk register at their meeting on 26th April 2020 and have again reviewed the document which we consider appropriate for the Council's present requirements.

We have examined the year's insurance schedule noting that cover for the year was provided by AXA with Public and Employer's liability both set at £10 million, and Fidelity Guarantee set at £191,500.

Noted the acceptance in April 2021 of a quote to undertake the RoSPA inspections of play equipment.

Conclusions

No matters have been identified in this review area warranting formal comment or recommendation given the ongoing Covid restrictions. We shall continue to monitor the Council's approach to risk management at future years reviews.

Budgetary Control & Reserves

Our objective here is to ensure that the Council has robust procedures in place for identifying and approving its future budgetary requirements and level of precept to be drawn down from the District Council, and that effective budget reporting and monitoring arrangements are in place.

We have considered the procedures in place for preparation and adoption of the Council's annual budget and precept and consider them sound and appropriate for the Council resulting in the formal adoption of a precept of £65,899 for 2021-22 at the December 2020 full Council meeting.

We have again noted from our review of minutes that members continue to be provided with regular budgetary performance reports throughout the year and have reviewed the year-end outturn position with no unexplained or unanticipated variances existing.

We have again considered the appropriateness of the level of retained reserves to meet the Council's ongoing revenue spending requirements and development aspirations: We note that total reserves at 31st March 2021 have increased to £270,485 (£150,463 as at the prior year-end) with Earmarked Reserves of £161,037 (£57,438 as at 31st March 2020). The residual General Reserve balance of £109,448 remains at marginally in excess of a year's revenue expenditure at the 2020-21 level and is considered more than appropriate for the Council's ongoing revenue spending requirements. The significant increase in total and earmarked reserves is the result of a land sale raising £104,200 during the year. We remind the Clerk and Council that the resultant net income from that sale may, under local government legislation only be used to finance future capital spending or repayment of outstanding loan liability, the latter not applying to the Council currently.

Conclusions

No issues have arisen in this review area this year.

Review of Income

The Council receives income from a variety of sources in addition to the precept by way of cemetery fees, various grants, allotment rents, playing field hire and recoverable VAT.

As part of this year's review, the Clerk as kindly populated our spreadsheet providing detail of the year's interments and memorials, which we have duly checked off against the Burial Register detail, also provided by the Clerk, and agreed the fees charged against the approved scale of fees and charges also ensuring that the fees due have been recovered within a reasonable time.

We have also ensured that all allotment income due has been recovered, banked in a timely manner and recorded appropriately in the accounting records.

Conclusions

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

Petty Cash Account

The Council does not operate a petty cash account: any incidental "out-of-pocket" expenses are repaid to the Clerk periodically in conjunction with his salary and are approved and minuted as part of the normal controls exercised over payments.

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 requirements of HMRC in relation to the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme. To meet this objective, we have,

- Noted that the Council approved implementation of the revised national salary spinal points and pay award effective from 1st April 2020;
- Noted that the Clerk calculates salaries using the Government's PAYE Tools software;
- Checked to ensure that the Council has reviewed and approved appropriate pay scales for staff; we were pleased to note last year that appropriate letters had been issued to staff detailing their salary and/or hours, in line with the above changes in the national spinal points, etc.;
- Checked and agreed the amounts paid to individuals by reference to the approved pay rates, examining payments made in September 2020 and March 2021;
- Ensured that PAYE, NIC and superannuation deductions have been made accurately by reference to the HMRC Basic PAYE Tools software and appropriate pension contribution bands; and

- Ensured that the appropriate month's deductions and contributions have been paid over to HMRC and the Pension Fund Administrators in a timely manner.

Conclusions

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

Asset Register / Inventory

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.

The reporting arrangements for assets in the AGAR require councils to report the value of each asset at purchase cost or at a suitable proxy where that value is not known, and for community assets to be valued at a nominal £1. The value of individual assets should not change from one year to another, other than where new assets are either acquired or old ones disposed of.

We are pleased to note that a very comprehensive register remains in place identifying the type of asset (i.e., by category), its location in the parish, detail of the asset, cost price (net of VAT), insured value and, where known, acquisition date, all of which we consider represents best practice.

We are also pleased to note that a photographic record is also maintained of assets listed in the register.

Conclusions

No issues arising in this area of our review process warranting formal comment or recommendation. We have also ensured the accurate disclosure of the total asset register value in the year's 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 as fixed assets, nor are there any loans with external bodies in existence repayable by or to it.

We have previously noted that the Clerk had prepared an appropriate Investment Strategy which was approved in 2019, now noting that it has been reviewed and re-adopted by the Council at the end of March 2021.

Conclusions

No issues concerns arise in this area this year.

Statement of Accounts 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. Following implementation of the "Limited Assurance Regime" in 2002, the Council's Statutory Accounts are now embodied in the AGAR and are subject to external audit review and certification.

We have reviewed the AGAR detail, as prepared by the Clerk based on the Excel spreadsheet cashbook 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 AGAR this year and we have duly signed-off the IA Certificate embodied therein with positive assurances in each relevant area.