

Canewdon Parish Council

Internal Audit Report 2020-21

Prepared by John Watson

*For and on behalf of
Auditing Solutions Ltd*

Background and Scope

Statute requires all town and parish councils to arrange for an independent internal audit 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). The Council implemented the process at its outset first using a local person and then appointed us, at Auditing Solutions Ltd, to provide the service to the Council from 2007-08

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 assisting in the process, providing all necessary documentation to our office to facilitate completion of our review for the year and 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 took place on 25^h May 2021.

Internal Audit approach

In undertaking our 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 / Annual Return. Our programme of cover is designed to afford appropriate assurance that the Council has appropriate and 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 Report' as part of the Council's Annual Governance and Accountability Return (AGAR) process, which requires independent assurance over a number of 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 continues to maintain more than adequate and effective internal control arrangements. We are pleased to acknowledge the quality of records maintained by the Clerk and thank her for her 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 Reconciliation

The Clerk has continued to maintain the accounts using the bespoke Alpha accounting software as used in the previous year.

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 as per the certified Annual Return detail;
- Ensured that a full and effective cost centre and nominal account coding 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 Barclays Community Account cashbook and the Barclays Business Premium Account cashbook for the year, noting that all were complete and accurate and had been prepared in a timely manner;
- Checked and agreed details in NS&I Account cashbook for the year, noting that all were complete and accurate and had been prepared in a timely manner;
- Checked that bank reconciliations are prepared routinely each month utilising the appropriate software facility;
- Verified the accuracy of detail in the bank reconciliations for the Barclays Community Account, the Barclays Business Premium Account and the NS&I Account as at 31st March 2021 ensuring that no long-standing uncleared cheques or other anomalous entries exist; and

Conclusions

We are pleased to report that there are no issues arising in this area of our review process 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 robust corporate governance documentation and processes in place, and that, as far as we may reasonably be expected to ascertain (as we do not attend Council or Committee meetings) all meetings are conducted in accordance with the adopted Standing Orders and no actions of a potentially unlawful nature have been or are being considered for implementation. Our objective is to ensure that the Council has a robust regulatory framework in place; We have in this regard:-

- Noted that both Standing Orders and Financial Regulations were reviewed and adopted at the Council meeting held on 1st July 2021 (minute FC 20/42 a) refers);
- Examined the minutes of meetings of the Full Council for the year to identify whether or not any issues exist that may have an adverse effect on the Council's future financial stability with no issues arising;
- Noted that the Council currently does not currently hold the General Power of Competence, any donations and or grants being made under section 137; and
- Finally noted that, although donations and or grants were made to third parties during the year, they were not reported in the minutes as being section 137 payments.

Conclusions and recommendations

We are pleased to report that, other than donations not being recorded in the minutes as being section 137 payments, there are no issues arising in this area of our review process warranting formal comment or recommendation.

R1. Donations and or grants made to third parties should be recorded in the minutes as being Section 137 payments.

Review of Payments

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;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The current expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified for periodic recovery.

We have examined the months of August and September 2020 and the month of January 2021 in full to ensure compliance with the above criteria and are pleased to record that no issues have been identified with all the criteria duly met.

We are pleased to note that the Clerk continues to submit manual VAT reclaims to HMR&C on a quarterly basis and have checked and agreed the reclaims for the quarters to 30th June, 30th September and 31st December 2020 and for the quarter to 31st March 2021 to the underlying cashbooks and control account balance with no issues arising.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process 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 1st July 2020 (minute 20/42 e) refers;
- Examined the Council's current insurance policy with Aviva, effective to 31st May 2021 and arranged through BHIB as part of a three year arrangement, to ensure that appropriate cover is in place, noting that Public and Employers Liability cover both stand at £10m with Fidelity Guarantee cover at £150k; and,
- Noted that the Council Play Area is currently inspected on a weekly basis by the Clerk with an annual inspection being carried out by a RoSPA certified company.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process 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 quarterly management accounting information, based on reports generated from the Alpha accounting system;
- Noted that a detailed budget exercise was undertaken and approved by Council at their meeting on 4th November 2020 (minute FC 20/101 refers);
- Further noted that the precept of £46,14.61 was agreed at the Council meeting on 6th January 2021 (minute FC 20/120 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 £64,091 of which £29,200 are earmarked reserves; the balance of general reserves at £34,891 equates to between eleven and twelve months average revenue expenditure, which is above the generally accepted guideline 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 process warranting formal comment or recommendation.

Review of Income

The Council has limited sources of income being the annual precept, allotment rentals, the occasional grant, bank interest and recovered VAT.

We have reviewed allotment income for the year, verifying monies received to the register of allotment holders to the cashbook and other supporting documentation with no issues arising.

We remind Members of the requirement under the Governance & Accountability Manual that all fees are reviewed on an annual basis.

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 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.

Conclusions

In view of the above we are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

Salaries and Wages

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 HM Revenue and Customs (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 this is outsourced to an independent payroll provider;
- Checked to ensure that the Council has reviewed and approved appropriate pay scales for staff;
- Checked and agreed the amounts paid to individuals by reference to the approved pay rates, examining payments made in February 2021;

- Ensured that the appropriate payments (where applicable) have been made to the Essex Pension Fund;
- Ensured that PAYE & NIC deductions 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;

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 Registers

The Governance and Accountability Manual requires that all Councils establish and maintain inventories / asset registers of buildings, land, plant and equipment, etc. owned by them.

We are pleased to note that a formal asset register is in existence and that the appropriate computation methodology of values to be reported in the Annual Return has been followed.

We suggest that consideration be given to keeping a photographic record of Assets. We have found, with other Councils we audit, that such a record can be useful in the event of an insurance claim.

Conclusions

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

We are pleased to note that, although not required to do so, Council have followed best practice and agreed an Investment Policy at their meeting on 6th January 2021 (minute FC 20/121 b) refers)

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.

We have reviewed the AGAR detail prepared by the Clerk, as generated from the accounting software with no obvious errors or anomalies in the detailed content

Conclusions

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.

Rec. No.	Recommendation	Response
Review of Corporate Governance		
R1	Donations and or grants made to third parties should be recorded in the minutes as being Section 137 payments.	