

# **Aston Clinton Parish Council**

*Internal Audit Report 2020-21 (Final)*

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## **Background and Scope**

Statute requires all Town and Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually with the results reported in the Annual Governance and Accountability Return (AGAR). This report sets out those areas examined during our audit review of the Council for 2020-21, which took place on 24<sup>th</sup> February and 29<sup>th</sup> April 2021 together with our preparatory work. Due to the impact of the Covid-19 pandemic this review has been conducted remotely. We wish to thank the Clerk for providing all the records in electronic format to facilitate our work.

## **Internal Audit Approach**

In undertaking our review for 2020-21 we have paid due regard to the materiality of transactions and their susceptibility to potential misrepresentation in the Accounts and AGAR, together with examining the overall governance framework. Our aim is to ensure that the Council operates robust control systems and that transactions are, as far as we are reasonably able to ascertain, processed in accordance with national and locally approved procedures and regulations. Our work is also designed to enable us to sign the 'internal audit' report in the AGAR which requires us to give assurance on eleven internal control objectives.

## **Overall Conclusion**

We are pleased to report that based on the work completed the Council has satisfactory financial control arrangements in place. We made three recommendations following our interim review aimed at further strengthening arrangements.

We have signed off the Internal Audit Section of the AGAR assigning positive assurance against the control objectives. We request that this report is presented to Members.

# Detailed Report

## Review of Accounting Arrangements & Bank Reconciliations

Our objective here is to ensure that the Council's accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers: we also aim to ensure the integrity of the data and that appropriate arrangements are in place for its security. The Clerk maintains the Council's accounting records using the Rialtas Alpha software with support from the software supplier as and when required. Two bank accounts are in operation with Barclays (Current & Tracker). We have:

- Ensured the accurate carry forward of the prior year closing balances to the current year's accounting records;
- Confirmed the External Auditor raised no issues on the 2019/20 accounts;
- Ensured that a comprehensive, meaningful and appropriate nominal coding and cost centre structure is in place;
- Discussed controls over the processing of any journals, manual adjustments to the accounts, which we understand are rare but where they do occur are reported to a Council meeting;
- Discussed arrangements for backing up the Rialtas system, which we understand is done daily to a cloud with the Council's IT support company doing a further daily back up to their server;
- Ran the data check on the Rialtas Ledger to confirm the system was in balance at the time of our interim and final reviews;
- For the main Cash Book recording the Current Account we have agreed all the entries on the bank statements for December 2020 and January and March 2021 (as a sample) to the Cash Book and agreed the reconciliation at 31<sup>st</sup> December 2020, 31<sup>st</sup> January 2021, 28<sup>th</sup> February and 31<sup>st</sup> March 2021; and
- For Cash Book two which records the transactions on the Tracker Account we agreed the reconciliation at 31<sup>st</sup> December 2020, 31<sup>st</sup> January, 28<sup>th</sup> February and 31 March 2021. We agreed a transfer in March to the current account bank statement.

### *Conclusions*

*The accounts are in balance and we note from the minutes that reconciliations are reported regularly to Members. There were no long-standing unrepresented cheques or other adjustments on the reconciliations.*

*We have agreed the year-end cash book balances to the AGAR.*

## Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place, that Council and Committee meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we may reasonably be expected to ascertain as we do not attend meetings, no actions of a potentially unlawful nature have been or are being considered for implementation.

To meet these objectives, we have:

- Noted that both SOs and Financial Regulations (FRs) were reviewed and re-adopted at the May 2020 full Council meeting. Further at the same meeting the Council considered its other policies and procedures;
- Completed our review of Council and standing committee minutes, excluding those related to Planning issues, for the financial year, to ensure that no issues affecting the Council's financial stability either in the short, medium or long term exist; and
- Confirmed the Council advertised the external audit of its 2019/20 accounts by posting the notice of public rights on its website.

### ***Conclusions and recommendation***

***We are pleased to record that no significant issues have been identified in this review area.***

***We note the Council was posting details of its monthly accounts onto the website, although the latest set of monthly accounts posted was for March 2019. This is considered good governance practice, although we note details of payments are reported in the minutes.***

***R1. The Council should reinstate the procedure for posting monthly accounts to its website. Council response: The Council recently agreed, at the March 2021 meeting, to restart doing this.***

## **Review of Expenditure**

Our aim here is to ensure that:

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Suitable documentation supports the 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;
- Members are effectively controlling the management of funds and demonstrating such by evidencing their review of documentation supporting payments processed;
- The correct cost centre and nominal account code has been applied;
- Where deemed appropriate, an official order has been raised;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount; and
- VAT is being identified and coded appropriately for recovery from HMRC.

We have reviewed the control procedures in place over the approval of payments, noting that invoices are detailed on a spreadsheet which is circulated to Finance & Staffing Committee prior to their meetings. Copies of the invoices are shared with the Committee via an online meeting folder. The Committee review and sign off for payment at the Committee meeting, or at full Parish Council when invoices fall between Committee meetings. The Spreadsheet being included in the minutes. We further note that invoices for the Community Centre were

approved by email and evidenced through an authorisation sheet with final approval at Council meetings.

We selected an audit sample comprising 71 individual payments processed to 31<sup>st</sup> March 2021. Our test sample includes all payments individually in excess of £2,000, plus a more random selection of every 30<sup>th</sup> payment as listed in the cashbook and totals £2,055,667 equating to 95% of non-pay related payments in the year. All invoices were provided.

We note that a contract final account has been agreed for the Community Centre and that the Council's Surveyor has confirmed the final valuation.

We note that the Council has now moved to the preparation and submission of VAT reclaims on a monthly basis. We have agreed the receipt of VAT due from the prior year, (2019/20), into the accounts and agreed the receipt of 2020/21 VAT refunds received in the year agreeing also the amounts due at the year end to the debtors.

### **Conclusions**

*There are no matters arising from our work in this area requiring formal recommendations.*

## **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 to minimise the opportunity for their coming to fruition.

We note that the Council approved its risk register in March following detailed discussion of the document by the Finance and Staffing Committee which covered adjustments to risks and the rating of new risks identified. The Register categorises the risks, describes and assesses them and then details mitigation.

We have examined the year's insurance schedule with Hiscox and note that cover includes:

- Property and contents cover; we understand the Council has reviewed the level of cover required on the new Community Centre insuring it at 'rebuild cost' being slightly less than the original build cost which included demolition and grounds works;
- Public liability £10m;
- Business interruption £0.025m; and
- Employer's liability £10m.

We note that regular evidenced safety inspections are performed on the Council's play and recreational equipment, supplemented by an annual independent safety check and that these checks are reported to Members.

### **Conclusions and recommendation**

*The Council has arrangements for managing risk.*

*It was not clear from our review at the interim stage whether the Council's insurance policy included fidelity guarantee insurance. It is standard practice for parish and town councils to*

*have cover for this. The current insurance schedule refers to 'Money in non-negotiable instruments' of £250,000 in the section headed property contents, although this may relate to incidents of break-ins. We made the following recommendation detailed below along with the Council's response.*

*R2. The Council should ensure it has sufficient fidelity guarantee insurance cover, normally equal to its level of balances. Response: March Council meeting noted that there was cover for this in existing policies.*

## **Budgetary Control & Reserves**

In considering the Council's approach to budget determination and precept setting, we aim to ensure that decisions are made based on sound information and that an appropriate level of precept is determined to meet the Council's future planned expenditure.

We note that Full Council approved the 2021/22 budget and precept at their meeting in January 2021 following consideration by the Finance and Staffing Committee and individual committees, the latter considered their own budgets. The final budget and precept decision was supported by a detailed report which took account of changes in the tax base, the impact on reserves, as well as providing a short narrative on issues.

We further note that regular budget monitoring reports are provided to Members with a separate report for the Community Centre.

We reviewed income and expenditure in 2020/21 against budget and compared to prior years. Changes in income reflected funding for projects, and to some degree the Covid Lockdown and changes in spending were impacted by the capital project for the community centre.

At the year-end reserves totalled £266,809 including earmarked amounts of £211,000 leaving a general fund reserve of £55,809. Spending in 2020/21 per the AGAR was £1,732,580. Excluding S106 funded costs and one-off items (eg the temporary community centre), which total £1,546,484, on-going regular spending in 2020/21 equates to some £186,096 or £15,508 a month. General reserves are some 3.5 months spending within the expected range of 3-8 months for a parish council.

### **Conclusion**

*No issues arise based on our work in this area.*

## **Review of Income**

In examining the Council's sources of income, we aim to establish that robust procedures are in place to ensure that income due to the Council is identified and invoiced accordingly (where appropriate); that arrangements for the secure handling of any cash income are in place and that income due to the Council is recovered within a reasonable time span.

Income currently arises from the annual precept, Section 106 moneys, burials and associated fees, the café's Base and Turnover rent, football / other park permits, allotments, bank interest and other miscellaneous sources. We have reviewed budget information and selected the following areas for testing, specifically we:

- Agreed the precept receipted into the accounts for 2020/21 to the amount set and approved in the minutes and to the list of precept demands published by the Government;
- Agreed the income received in respect of the café to the agreement and the calculation of turnover rent due, noting a discount was allowed to the tenant due to the impact of Covid-19 on trading;
- Tested the receipt of Section 106 grants to remittance advices or emails from Buckinghamshire Council;
- Checked for one burial recorded on the burial register (out of five recorded in the year to the date of our interim review) that the income received per the accounts agreed to the schedule of charges on the Council website and that a certificate of cremation was held; and
- Confirmed that Council rent levels are periodically reviewed.

### **Conclusions**

*No issues arise from our testing in this area.*

## **Petty Cash Account**

We are required, as part of the Internal Audit Certificate in the AGAR to assess the controls over any petty cash accounts operated by the Council, or to note in the AGAR there are no such accounts maintained.

### **Conclusion**

*We note the Council no longer operates petty cash accounts with occasional expenses being paid with the main payment run.*

## **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 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 in relation to employee contribution percentages. We note that the Council uses an external agent to prepare the monthly payroll and provide the Council with payslips and other relevant documentation to support the necessary payments to be made to staff, HMRC (tax and NI) and the LG Pension Fund Administrators.

To meet our audit objectives we have:

- Confirmed the controls over the processing of pay noting that Members approve monthly payroll payments. We further agreed the hourly rate of pay on the Clerk's November payslip to the paypoint confirmed in an email from the Chair of Finance and Staffing and to the published national scales;

- Reviewed the payslips for November 2020 checking the calculation of tax, national insurance and pension deductions (confirming also the correct employer's Pension contribution was applied);
- Agreed the payments in the Rialtas Cash Book for November payroll relating to net pay, the payment to HMRC and Pension Administrator to the amounts showing on the payslips;
- Agreed the payslips to staff timesheets; and
- Completed a trend analysis, month on month of cash book payroll costs to ensure no material anomalies arise.

### **Conclusions**

*We reviewed the coding of payments and noticed that for two temporary staff members their costs had been coded to account code 4000 on the Rialtas ledger. This would result in these costs being included in line four of the AGAR (staff costs). The accounting guidance defines staff costs for this purpose as excluding agency staff, although can include temporary staff. Although the costs are small, the Council may wish to confirm the costs incurred are staff employed by the Council directly. We noted in the year end AGAR that contract staff were included in line 6 other payments.*

## **Fixed Asset Registers**

The Governance and Accountability Manual requires all Councils to maintain a record of all assets owned. We have checked and agreed the total on the Council's Asset Register to the amount recorded in the AGAR. We note the asset register records assets by category and values them at cost excluding VAT. The main movement between years reflects the addition of the community centre, the Clerk provided a calculation showing how the amount for the asset register was derived.

### **Conclusion**

*The Council is maintaining its asset register. We note the Clerk is to confirm the treatment of the tennis club in the context of the asset register.*

## **Investments and Loans**

As indicated earlier in this report the Council operates two bank accounts with Barclays with a combined balance as at 31<sup>st</sup> March 2021 of approximately £250,000.

Central Government legislation changed with effect from 1<sup>st</sup> April 2018 subsequently requiring all councils with balances in excess of £100,000 to develop an appropriate Investment Policy / Strategy (this previously only applied to councils with funds in excess of £500,000). We note that last year Finance & Staffing Committee agreed to wait until after the Community Centre Project spend was completed and then look at developing a strategy.

The government "Bail out" scheme, should a bank fail, may result in the Council only receiving £85,000 in compensation. Whilst we consider it unlikely that Barclays will "fail", we consider that the Council should consider diversifying the placement of surplus funds, although we

acknowledge that the Community Centre development has significantly impacted on the flow of funds held in recent months.

The Council has one new loan and one pre-existing Loan. For the latter we have tested repayments in the current financial year by reference to the PWLB demand advices as part of our above expenditure testing. We note for the new Loan of £150,000 the Council needs to account for the full value of the loan and show the PWLB handling charge as an administrative cost. At the year end we agreed the balance due on the two loans as reported in line 10 of the AGAR to the amount shown as due on the Government's Debt Management Office website.

### ***Conclusions and recommendation***

***The Council should ensure that surplus funds are appropriately "invested" to maximise interest earning potential, whilst ensuring, as far as they reasonably can, that public funds are securely placed and risk of loss is minimised.***

***Loans are fairly stated in the AGAR.***

***R3. The Council should ensure compliance with current regulations developing an appropriate Investment Policy / Strategy. Response: an investment working party has been set up.***

## **Statements of Account and Annual Governance and Accountability Return (AGAR)**

The AGAR section 2 provides the Council's statutory Statements of Account subject to external audit review.

We have reviewed the detail therein from the underlying Rialtas Alpha software and other documentation provided and are pleased to note there were no issues identified and we have verified the data provided for transposition into the AGAR at Page 2. Specifically, we reviewed year end debtors and creditors and completed other tests as detailed in previous sections of this report.

### ***Conclusions***

***There are no issues arising in this area to warrant formal comment or recommendation.***

***We have duly signed off the IA Certificate in the year's 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.***

Rec. No.	Recommendation	Response
<b>Review of Corporate Governance</b>		
R1	The Council should reinstate the procedure for posting monthly accounts to its website.	<i>Agreed at March 2021 Council meeting.</i>
<b>Assessment and Management of Risk</b>		
R2	The Council should ensure it has sufficient fidelity guarantee insurance cover, normally equal to its level of balances.	<i>Since the F&amp;S Committee it had been confirmed that there was already cover for this in existing policies.</i>
<b>Investments and Loans</b>		
R3	The Council should ensure compliance with current regulations developing an appropriate Investment Policy / Strategy.	<i>It was agreed at the March 2021 Council meeting that an investment working party would meet to discuss.</i>