

Lyneham & Bradenstoke Parish Council

Internal Audit Report 2020-21

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Background and Scope

Statute requires all town and parish councils to arrange for an independent Internal Audit (IA) 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).

This report sets out the work undertaken in relation to the 2020-21 financial year. Due in part to the ongoing Covid situation and the Clerk's recent bereavement necessitating her return to the States, we have received the year's records in soft copy format from the Clerk and undertaken the review remotely: we pass on our condolences to the clerk for her loss and wish to thank her for her assistance in the process, providing all necessary documentation 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 this year, 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 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 'IA Certificate' in the year's AGAR, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We are pleased to acknowledge the significant improvement in documentation and operative controls implemented in the latter stages of 2019-20 by the former locum clerk, together with the further improvements instigated by the new clerk appointed in June 2020. Consequently, we have concluded that, based on the satisfactory completion of our programme of work for the year, the Council has maintained adequate and effective internal control arrangements throughout the year **with only a few minor issues arising this year warranting formal comment or recommendation.**

We have completed and signed-off the 'IA Certificate in the year's AGAR giving positive assurances in each relevant area, having concluded that the control objectives set out therein have been observed achieved within the financial year to an appropriate standard to meet the needs of the Council.

We take this opportunity to remind the Clerk and Council of the website disclosure requirements as set out in the preface to the year's AGAR, together with the timing requirements for posting the Notice of Public Rights to examine the Council's records for 2020-21 and future years.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Council appointed a new permanent clerk in June 2020 who has continued to maintain the accounting records using the Rialtas Alpha accounting software making further improvements in the overall control environment. Two bank accounts are now in operation with Unity Trust (Current and Deposit), following closure of the two former HSBC accounts. However, we note that the Alpha accounts still show a residual £0.29 balance on the former HSBC Deposit account cashbook: we suggest that the status of this residual balance be verified and cleared from the software with the cashbook formally “closed-down”.

We aim in this review area is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear therein. Consequently, and in view of their relatively low volume, we have: -

- Agreed the opening balances recorded in the Alpha accounts for 2020-21 with those in the 2019-20 certified AGAR;
- Ensured that the accounts remain “in balance” at the financial year-end;
- Verified transactions recorded on all four accounts for the full financial year or until closure in the case of the HSBC accounts, by reference to the underlying bank statements;
- Verified the accuracy of the combined account year-end bank reconciliation on the accounts; and
- Ensured the accurate disclosure of those combined bank balances in the year’s AGAR at Section 2, Box 8.

Conclusions

We are pleased to record that no issues have arisen in this area this year warranting formal comment or recommendation, although, as indicated above, we urge that the position relating to the former HSBC Deposit account balance be resolved and the account formally closed.

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 are reasonably able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation.

We noted in last year’s report that the Council, at its January 2020 meeting, adopted the latest NALC model SOs and Financial Regulations (FRs). We now note that they have been subjected to further review and readoption in May 2021 with no significant changes other than for the FRs where the delegated spending power to the Clerk has been increased due to the ongoing Covid restrictions.

We have reviewed the minutes of Council meetings during 2020-21 and to date in 2021-22, as posted on the Council’s website and, where not posted, copies of any “confidential” minutes as provided by the Clerk.

We note the external auditor's completed certificate for 2019-20 highlighting a few issues in relation to that year's accounts information as presented in the AGAR, and our own concerns as set out in that year's IA Report, of which we are pleased to record none remain unactioned in 2020-21.

Conclusions

We are pleased to record that no significant issues arise in this area, but remind the Clerk and Council of the mandatory website publication requirements in relation to the 2020-21 AGAR and Notice of Public Rights, which must both be posted on the website: the preface to the AGAR provides the relevant detail of publication requirements.

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's 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;
- The correct expense analysis has been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We discussed the procedures in place for the approval and release of payments with both the Locum Clerk and Chairman last year and considered them sound with the two cheque signatories generally initialling both the chequebook counterfoils and invoices. The clerk has kindly provided electronic copies of all invoices for 2020-21 which we are pleased to note generally bear the signatures of 2 councillors together with an evidence of online review and approval of councillors. We noted last year that, following our previous report recommendation, a suitably designed rubber certification stamp was acquired and was being affixed to every payment voucher. We acknowledge that the Covid situation will have to a great degree made the physical signing of the invoices all but impossible during the various lockdowns and other restrictions and urge that, once we are back to a more normal state of affairs the use of the certification stamp be reimplemented.

Due to their low volume, we have examined all payments processed and paid during the financial year and are pleased to report that all are appropriately supported by a trade invoice, till receipt or other document confirming the expenditure as appropriate.

We note that VAT reclaims for 2018-19 and 2019-20 were prepared, submitted to HMRC and repaid in May 2020. for 2020-21 and submitted it to HMRC for settlement. The Alpha accounts have generated the reclaim for 2020-21 detail of which we have checked and agreed to the accounting system with the total value equating to that recorded in the nominal control account.

In checking the year's invoices, we noted that VAT on one payment in November 2020 to Castle Water (Chq. No. 201035) has been recorded with VAT of £32.01 charged to the VAT

nominal account code: water is a non-vatable commodity, and no VAT is recorded on the invoice.

Conclusions and recommendation

We are pleased to record that no significant issues have arisen in this area this year, although as above, we urge that use of the rubber certification stamp is reintroduced as soon as is practicable with relaxation of the Covid restrictions. Care should also be taken to ensure that VAT is only recorded for recovery when applicable and an appropriate invoice is held either identifying the VAT amount of the payment or the Registration number is recorded on the invoice / till receipt.

R1. VAT should only be recorded in the accounting software when identified on the invoice or a valid VAT Registration Number is on the supporting payment docket.

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 have examined the Council's insurance policy with "Local Councils" ensuring that appropriate cover is in place with both Employer's and Public Liability cover standing at £10 million, together with Fidelity Guarantee cover at £150,000 and Business Interruption – Loss of Revenue at £20,000, all of which we consider appropriate for the Council's present needs.

We were pleased to note last year that a suitable financial risk document had been prepared, the document being adopted by the Council at the May 2020 Council meeting: We have reviewed the content and consider it appropriate for the Council's present requirements.

We note that the Council's play areas are subject to annual RoSPA inspection and report, the outcome being presented to members for formal agreement of any remedial action deemed necessary, with an appropriate contractor engaged to undertake the necessary repairs.

We also understood last year that one of the councillors was undertaking monthly inspections of the play areas, although no formal records were being maintained of the outcome of those reviews. We understand that play area inspections are now taking place weekly on a rota with a formal record of each inspection completed and sent to the Clerk for electronic filing. We also note that three councillors attended a RoSPA training course in March 2020.

Conclusions

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

Budgetary Control & Reserves

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and the level of precept to be drawn down from Wiltshire Council: also, that an effective reporting and monitoring process is in place. We

also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans and cover any unplanned expenditure that might arise.

We are pleased to note that the 2021-22 budget and precept detail were formally approved and adopted at the January 2021 Council meeting with the precept formally adopted at £52,704.

The Council has total funds of £108,543 at 31st March 2021 (£81,940 at the prior year-end), including Earmarked Reserves (EMRs) of £67,920, including CIL receipts of £29,108. The residual General Reserve balance of £40,623 equates to approximately 8 months' spending at the 2020-21 level and now sits comfortably within the generally recognised holding of between 6 and 12 months' revenue spending.

We are pleased to note that, following our recommendation last year, the Council has also adopted a formal Reserves Policy at the May 2020 meeting.

Conclusions

We are also pleased to record that no matters arise in this area warranting comment or recommendation this year.

Review of Income

The Council has relatively limited sources of income, primarily the annual precept, allotment rents, recoverable VAT, bank interest, grants (including CIL moneys) and donations.

Our objective in this area is to ensure that all income due to the Council is identified and recovered within an appropriate period and is also banked promptly. We have, as indicated in the first section of this detailed report, confirmed income arising from the precept, CIL moneys and the limited amounts of bank interest for the year by reference to the supporting documentation provided by the clerk.

We have examined the spreadsheet control record of allotment tenants ensuring that all income due has been identified and recovered within a reasonable time frame. Whilst we note that the rent received and means of payment is recorded, the register does not identify the actual amount due for each plot or the date of physical receipt / banking.

In reviewing the minutes for the year, we have seen no indication that any consideration has been given to the level of allotment rents due to the Council: the FRs (Para 9.3 refers) require the Council to review variable income streams annually.

Conclusions and recommendations

Whilst no significant concerns have been identified in this area, we consider that the allotment register should be expanded to clearly identify the amount due for each plot together with the date of receipt / banking in order to provide a complete and clear audit trail. We also suggest that the minutes formally record completion of the annual review of allotment rents, recording that no increase was approved should that be the case.

R2. *The allotment register should be expanded to formally identify the rent due for each plot and the date of receipts and / or banking to provide a full audit trail.*

R3. *Allotment rents should be the subject of annual review (Financial Regulations para 9.3 refers) with the outcome formally minuted, even where no increase is approved.*

Petty Cash Account

The Council does not operate a formal petty cash account, any expenses incurred being reclaimed and repaid through the normal invoice process.

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 as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme.

We note that preparation of the monthly payroll is now outsourced to Charlton Baker who provide all relevant documentation pertaining to the clerk's salary, tax, NI and Nest pension deductions / Council contributions to facilitate payment of the net salary and HMRC / NEST monthly payments.

To meet the above objective, we have: -

- Noted that the new clerk was provided with and has signed a Contract of Employment identifying her salary point on the national salary scale and basic weekly hours, which we note from the minutes were increased by 50% with effect from 1st October 2020;
- Checked and agreed detail of the gross pay of the clerk's salary to her employment contract and approved salary rate for a sample of months during the year from the date of first employment to the financial year-end;
- Verified the tax and NI deductions applied by reference to the relevant HMRC tables based on her Tax Code;
- Noted the Council's approval of contributions to the NEST pension scheme from 1st October 2020; and
- Ensured that all net pay, HMRC and NEST payments have been processed in an appropriate and timely manner, noting that one month's HMRC payment was inadvertently duplicated, was reported to Council and recovered through a subsequent payment.

Conclusions

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

Fixed Asset Register

The Governance and Accountability Manual – The Practitioner's Guide sets out the reporting requirements for Fixed Assets in the AGAR. We reported last year that the locum clerk had developed an appropriate asset register based on the previous document in place, updating it appropriately to record newly acquired assets and, where appropriate, previously acquired and recorded assets at the purchase price (Net of VAT).

We are pleased to note that the 2019-20 edition of the asset register has been updated appropriately to reflect the new acquisitions during 2020-21 (no disposals occurred) with the updated register total value duly reported in the AGAR at Section 2, Box 9.

We also noted last year that the Chairman was in the process of developing a photographic register of the Council's street furniture, etc and commend this as an example of best practice. We will review that record as part of our 2021-22 review.

Conclusions

We are again pleased to record that no issues have been identified in this area this year giving any cause to doubt the accuracy of the asset value recorded in the register and AGAR.

Investments and Loans

The Council neither has funds invested in long-term deposits, only in an HSBC deposit account, nor are any loans in existence either repayable by or to the Council.

Statement of Accounts / AGAR

All Councils are required to prepare and submit to their appointed external auditor each year a completed AGAR before 30th June, although those councils with receipts and payments of less than £25,000 may claim exemption. The Alpha accounting software generates all necessary end-of-year financial information, including the detail to be disclosed in the AGAR at Section 2, excluding the asset value, which is, as above gleaned from the asset register.

We have checked and agreed the financial values to be reported in the 2020-21 AGAR to the underlying year-end financial detail, as set out in the Rialtas Alpha accounting records with no issues arising.

Conclusions

We have duly signed off the IA Certificate in the 2020-21 AGAR with positive assertions in each relevant area. We remind the clerk and Council that appropriate explanations will need to be provided for any significant variances in Section 2 of the AGAR between the values reported in 2019-20 and 2020-21: this information can relatively easily be obtained from the Management accounts suite in the Alpha software > Detailed AGAR report.

Rec. No.	Recommendation	Response
Review of Expenditure & VAT		
R1	VAT should only be recorded in the accounting software when identified on the invoice or a valid VAT Registration Number is on the supporting payment docket.	
Review of Income		
R2	The allotment register should be expanded to formally identify the rent due for each plot and the date of receipts and / or banking to provide a full audit trail.	
R3	Allotment rents should be the subject of annual review (Financial Regulations para 9.3 refers) with the outcome formally minuted, even where no increase is approved.	