



AUDITING SOLUTIONS LTD

Horningsham 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 and for the conclusions to be reported each year in the Annual Return.

This report sets out the work undertaken in relation to the 2020-21 financial year, which took place on the 21st April 2020.

Internal Audit Approach

The 2020-21 Year End Internal audit has been undertaken remotely due to the Covid-19 virus situation and in accordance with Government advice. All files and supporting document required to complete the audit have been supplied, as requested, electronically.

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

The Council has continued to make significant business processes and performance improvements, even in these challenging times. We have reviewed the Council's Business Continuity plan and modified working practices implemented in order to comply with the Government's Covid-19 directives, and report that, on the basis of the work undertaken to date in the current year, that the Council has continued to operate robust and effective internal controls in all areas examined.

We have noted that the Council has complied, as far as it is reasonably possible, with the Government's Covid-19 directives as amended from time to time, maintaining a consistently high standard of service provision. The Council has also taken all reasonable steps to ensure the health and safety of its Staff, Members, and members of the public utilising the Council's facilities. All modified and exceptional working practices have been formally Reviewed, Resolved and Recorded in the Council's Minutes and its Risk Register and the Council is to be complimented for its management processes in this regard.

We commend the Clerk/RFO, both for her continued professional management & administration of the Council's finance, and modified governance functions. We also commend the Members for their strenuous efforts in maintain services and providing assistance for their constituents during these challenging times.

Once again, the manner in which the requested electronic documents and backup files were presented by Clerk/RFO for audit was exemplary, making this remote interim review process relatively straightforward during these unprecedented times.

We ask that members consider the content of this report and acknowledge that the report has been formally reviewed and adopted by Council.

Detailed Report

Review of Accounting Records & Bank Reconciliations

The Clerk has maintained the Council's accounting records using Excel spreadsheets, which we consider generally adequate in view of the number of annual transactions. The Council maintained one bank account with the Unity Trust Bank with all payments being made electronically.

We have checked and agreed the spreadsheet detail in full to the relevant statements for the full financial year, also verifying the accuracy of the year-end cashbook / bank reconciliation ensuring that no long-standing uncleared cheques or other anomalous entries exist. We have consequently verified the accurate disclosure of the year-end balance in the Annual Return.

Conclusion

There are no issues which arise in this area of our review warranting formal comment or recommendation.

Review of Corporate Governance

We have examined the content of the Standing Orders (SOs) and Financial Regulations (FRs), both of which have been reviewed and were re-adopted formally at the meeting of the Full Council in September 2020 under minute reference 20/012. We have examined the content of the extant SOs and FRs and consider them appropriate for the Council's present needs.

We have completed our review the Council's minutes for the current year to determine whether any issues exist that may have either a legal or financial impact on the Council and its future financial stability and are pleased to record that no such items appear to exist at present. Noting that the General Power of Competence was readopted at the meeting of the Full Council in September 2020 under minute reference 20/014.

We note that the Council received a Qualified External Auditor's report for the 2018-19 Financial Year.

Conclusion

There are no issues which arise in this area of our review warranting formal comment or recommendation.

Review of Payments

We have examined the controls in place over the approval of payments for release and consider them sound.

As a result of the need to conduct this year's audit remotely, and in light of the Council's full compliance in previous year's Internal Audits, we have sampled payments made during the year: Every sixth invoice irrespective of value and every invoice in excess of £500.00 to ensure that the following criteria were met: -

- Payments were supported by a trade invoice or acknowledgement of receipt;
- VAT has been calculated correctly and is recovered at appropriate intervals;
- The members at a Council meeting approved each payment;
- There was clear evidence of approval by members on each payment document;
- Payments have been correctly analysed in preparation of the year-end Statement of Accounts; and,
- Section 137 payments have been identified in the cashbook and are within the Council's spending limit.

Conclusion

There are no issues which arise in this area of our review warranting formal comment or recommendation.

Review of Risk Assessment & Risk Management

We note that the Council reviewed and formally re-adopted its Risk Assessment documentation for the financial year during the July meeting of the Full Council, recorded under Minute reference 19/278

The Council's insurance cover for FY 2020-21 was again arranged by Came & Co. and underwritten by Axa. We have examined the insurance schedule for the 2020-21 financial year with Public and Employer's Liability cover both in place at £10 million, Hirers liability at £5 million, Environmental clean-up £1 million, Officials indemnity at £500,000, Employment Practices £500K, Data Protection £500K and Employee dishonesty at £150K, all of which we consider appropriate for the Council's present needs.

We note that a detailed Playground management policy, associated Risk Analyses, Inspection forms and inspection and reporting protocols are in place, with a Council Member undertaking weekly inspections. We further note that RoSPA undertook the Annual Independent Inspections that will be required from the first and subsequent annual anniversaries of the Playground's installation date.

Conclusion

There are no issues arising in this area of our review warranting formal comment or recommendation.

Review of Budgetary Control & Reserves

The Council's minutes, together with the supporting papers provided to Council indicate that members undertook a robust Budget setting and Precept determination process, and considered and approved the 2021-22 Budget and Precept, setting the latter at £15,677 (£15,677 prior year) in the January 2020 meeting of the Full Council under Minute reference 20/146. We note that Councillors continue to receive regular income and expenditure reports along with the bank balance detail at each meeting.

Overall reserves as of the 31st March 2020 have reduced slightly to £18,113 (£18,815 prior year) with Earmarked reserves remaining static at £4,193.87 leaving a General Reserve fund of £18,113, which equates approximately 16 months' revenue spending at the 2020-21 level, sitting only slightly above the generally recognised CiPFA guideline of retaining between three and twelve months' revenue expenditure.

Conclusion

The increase in the Council's reserve position is explained by the reduction in planned project expenditure which was unable to take place as a direct result of central Government directives concerning Covid-19. As the expenditure has been postponed, rather than cancelled, the position of the Reserve funds is deemed as appropriate.

Resultantly, there are no issues arising in this area of our review warranting formal comment or recommendation.

Review of Income

The Council receives only limited income, mainly from the annual precept, VAT recovered and occasional grants and donations. We have reviewed all available supporting documentation agreeing detail to the cashbooks and the Council's Year End Bank reconciliation.

Conclusion

There are no issues which arise in this area of our review warranting formal comment or recommendation.

Review of Petty Cash Account

The Council's policy is not to maintain any form of cash float with any out-of-pocket expenses incurred reclaimed and paid in line with normal trader payment procedures. Resultantly, there are no issues arising in this area of our review warranting formal comment or recommendation.

Review of Salaries & Wages

We have, as in previous years, noted that the Clerk is employed under a formal contract with part-time working hours. We have checked the basis of the clerk's salary payments for the year, and examined the salary and deductions for April 2020 in detail, together with relevant tax coding and deductions, which are paid over to HMRC accordingly with no issues identified.

We further note that the Clerk received a formal appraisal, which was conducted electronically, subsequently during the Budget setting and Precept determination process the Clerk was awarded one additional scale point increment to SCP 20, for the 2020-21 financial year, effective from the 1st April 2020.

Conclusion

There are no issues which arise in this area of our review warranting formal comment or recommendation. However, we note that it is some time since the Clerk's contract was revised,

resultantly, the Clerk and Members may wish to take the opportunity to update the Clerk's contract in-line with the new NALC model document.

Review of Fixed Asset Register

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We are pleased to note compliance with this requirement, the Clerk maintaining an appropriate register with values identified both at cost price, or where unknown, at the best approximation thereto, together with the annually uplifted insurance value to assist with budgetary planning for future replacements.

We note that the Asset Register was reviewed during the 2020-21 financial year and was Approved during the Annual Meeting of the Parish Council in February 2021, under Minute reference 20/181, with a revised value of £31,815 which has been correctly reported in the Annual Return at Box 9 of Section 2.

The increase is in relation to the replacement of Chapel signage and its inclusion on the Fixed Asset Register.

Conclusion

There are no issues arising in this area of our review warranting formal comment or recommendation. However, the Clerk and Members may wish to consider including photographic images of Assets and their GPS location, in the Asset Register for future identification and use in any possible insurance claim, should the need arise.

Review of Investments & Loans

It is noted that council continues to maintain a single current account with the Unity Trust Bank. There are no surplus funds available for investments.

The Council has no loans either repayable by, or to it, as at the 31st March 2021.

Conclusion

There are no issues arising in this area of our review warranting formal comment or recommendation.

Statement of Accounts and Annual Governance and Accountability Return

The Accounts and Audit Regulations, as amended periodically, require all councils to prepare annually a Statement of Accounts, which is now in the form of the Annual Governance and Accountability Return at Section 2, which is, together with the Annual Governance Statement at Section 1, subject to independent external audit examination and certification.

As part of our review process, we have examined the Council's procedures in relation to the identification of detail for inclusion in Section 2 of the Return, which is produced using Microsoft

Excel spreadsheets, and used by the Clerk & RFO to provide the accounting statements. We have agreed detail therein to Section 2 of the 2020-21 Annual Governance and Accountability Return.

Conclusions

We are pleased to record that no issues arise in this area and, on the basis of the work undertaken during the course of our review for the year, we have "signed off" the Internal Audit Report in the year's Annual Governance and Accountability Return assigning positive assurances in all areas.