

## **Cheverell Magna Parish Council**

*Internal Audit Report 2019-20*

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*For and on behalf of  
Auditing Solutions Ltd*

## **Background**

All town and parish councils are required by statute to make arrangements 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). This report sets out the internal audit work undertaken in relation to the 2019-20 financial year.

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 the process, providing all necessary documentation in electronic format to facilitate completion of our review for the year. We have, obviously in the circumstances, reduced the volume of transactions examined, whilst still ensuring governance and financial controls remain effective.

## **Internal Audit Approach**

In undertaking our review for the year, we have had regard to the materiality of transactions and their susceptibility to potential misrecording 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 are 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 'Internal Audit Report' in the Council's AGAR, which requires independent assurance over eleven internal control objectives.

## **Overall Conclusion**

We have concluded that, based on the programme of work undertaken on the 2019-20 papers provided for audit, the Council has demonstrated that adequate and effective internal control arrangements were in place during the financial year.

We have completed and signed the 'Internal Audit Report' in the year's AGAR, having concluded that the objectives set out in that Report were being achieved during the financial year to a standard adequate to meet the needs of the Council.

We request that this report is presented to Members.

## Detailed Report

### Maintenance of Accounting Records & Bank Reconciliation

The Clerk has maintained the Council's cashbook accounting records in an Excel workbook, which is considered more than adequate for the volume of annual transactions. It is in columnar form analysing transactions also with a separate column for VAT and separate tabs for the current and instant access accounts with the Unity Trust Bank.

We agreed the balances brought forward from 2018/19 to 2019/20. We have checked and agreed the cashbook entries in full to the bank statements for the financial year also agreeing the year-end cashbook and bank statement reconciliation to ensure there were no anomalous items or out-of-date cheques with no issues arising.

We note from our review of the minutes that a Councillor independently undertakes a periodic check of the accounts.

#### *Conclusion*

*There were no matters arising from our review of this area warranting formal recommendation.*

### 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 and that, as far as we may reasonably be expected to identify, no actions of a potentially unlawful nature have been or are being considered for implementation. We have:

- Noted the Council adopted its standing orders based on the NALC Model at the meeting on 2 July 2018 and that Financial Regulations were adopted by the Council at its meeting held on 2 September 2019, based also on NALC model;
- Reviewed the Council's minutes for the year under review to ensure that no issues have arisen or are under consideration whereby the Council may have or be considering taking action resulting in potentially ultra vires expenditure: we are pleased to record that no such actions are apparent;
- Confirmed the Council applied for an exemption from external audit for 2018/19 and that it met the criteria for an exemption;
- Noted the Council publicised its 2018/19 accounts by posting a notice of public rights on its website; and
- We have confirmed the Council continues to meet the requirements of the Transparency Code posting key financial information on its website.

#### *Conclusion*

*There were no matters arising from our review of this area warranting formal recommendation.*

## Review of Payments

We have reviewed payments made during the year 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 Council at a Council meeting approved each payment.
- Payments have been correctly analysed in preparation of the year-end Statement of Accounts.
- Section 137 payments have been identified and are within the Council's spending limit.

Due to the Covid-19 lock down we reviewed payments on a sample basis. We randomly selected six payments totalling £3,541 (out of total non-payroll expenditure for the year of £5,877). All payments were supported by invoices. We then confirmed for a different sample of payments that they were recorded in the minutes.

Finally, we note that VAT has been identified correctly in the cashbook. A reclaim was made in the year for £540.09 including VAT of £50.02 from the prior year. Some £100 remains to be recovered in respect of 2019/20 in 2020/21.

### *Conclusion*

*There were no matters arising from our review of this area warranting formal comment or recommendation.*

## Assessment and Management of Risk

We are pleased to note that the Council's Risk Register has been discussed and approved at least once during the financial year, the latest occasion being at the November 2019 meeting. We note the risk register covers a range of risks and records the actions to mitigate them.

The Council's insurance cover is now provided by Royal Sun Alliance. Cover for the year includes Public and Employers Liability at £10m each and Employee dishonesty / Fidelity Guarantee at £25,000.

In respect of the safety of play equipment, the Council receive an annual safety report from RoSPA supplemented by regular reviews by a Councillor.

### *Conclusion*

*There were no matters arising from our review of this area warranting formal comment or recommendation.*

## Budgetary Control and Reserves

The Council considered a draft 2020/21 budget at its meeting in November 2019, with further work then completed by a working group looking at different scenarios. The 2020/21 budget was then approved by Council at the December meeting. We note the minutes did not formally record the value of the precept.

We note that members continue to be presented with financial information at meetings including details of payments and budget reports.

At the year-end the Council's balances were £23,437 (£21,400 at 31<sup>st</sup> March 2019). Spending in 2019/20 was £11,384. Balances therefore represent some two years spending, which is high, however, given the low overall level of balances which increases the sensitivity and risk arising from unforeseen events the level of balance is suitable. We understand the Council also previously held earmarked funds.

### *Conclusion and recommendation*

*The Council has arrangements for setting and controlling its budget.*

*R1. The Council should minute the value of the 2020/21 precept.*

## Review of Income

The Council's has received income during 2019-20 in the form of the annual precept, the prior year and part of the current year's VAT recovered, miscellaneous grant, a small amount in SSE wayleaves and interest. We have checked and agreed all cashbook transactions to bank statements and agreed the precept to the amount recorded in the minutes. We were provided with a remittance advice to support the Area Board Grant to the Council of £2,500.

### *Conclusion*

*We are pleased to record that no issues arise in this area.*

## Petty Cash Account

*The Council does not operate a petty cash account. Any out-of-pocket expenses incurred by the Clerk in connection with their work for the Council are reclaimed and paid by separate cheque processed in the same manner as all trader payments.*

## Salaries and Wages

The Council has one employee, the Clerk. The current Clerk commenced employment with the Council from September 2019. We note the previous Clerk had a contract of employment setting out the national spinal column point payable and the hours required to be worked. We understand no formal contract has yet been put in place for the new Clerk. We have confirmed the payments to the Clerks employed during the year to the cash book and confirmed a return was made to

HMRC in respect of the new Clerk. We sample checked one month's pay confirming it was authorised by two cheque signatories.

### ***Conclusion and recommendation***

***Payments to the Clerk are recorded in the accounts and the AGAR. We make one recommendation aimed at strengthening control.***

*R2. The Council should establish a signed contract with the Clerk.*

## **Asset Registers**

The Governance and Accountability Manual requires all Councils to maintain a record of all assets owned and we are pleased to note compliance with this requirement. We have reviewed the movement in the Asset Register from the value reported at the beginning of the year noting assets are added at cost net of VAT as required.

### ***Conclusion***

*No issues arise from this area of our review.*

## **Investments and Loans**

***The Council has no funds placed in investment accounts currently, nor are any loans in existence repayable either by or to the Council.***

## **Statement of Accounts and AGAR**

The AGAR now provides the formal statutory accounts of the Council subject to external audit certification. We have checked the detail disclosed in the 2019-20 AGAR at Section 2 agreeing it to the underlying cashbook and other relevant records, with no issues arising.

### ***Conclusion***

***Based on the satisfactory conclusion of our review programme for the year, with no significant issues arising, we have duly signed off the Internal Audit Report section of the AGAR assigning positive assurances in each relevant area.***

Rec. No.	Recommendation made in 2017/18	Response
<b>Budgetary control and reserves</b>		
R1	The Council should minute the value of the 2020/21 precept.	
<b>Salaries and Wages</b>		
R2	The Council should establish a signed contract with the Clerk.	