

Cheverell Magna Parish Council

Internal Audit Report 2020-21

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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 2020-21 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 most documentation in electronic format to facilitate completion of our review for the year, with a manual file of invoices provided also. 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 2020-21 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 note that an independent Member carried out a review of the bank reconciliation during the year.

We agreed the balances brought forward from 2019/20 to 2020/21. 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.

Conclusion

There were no matters arising from our review of this area warranting formal recommendation. The Accounts are balanced at the year end and we agreed year end 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 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 covering the financial year 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 2019/20 and that it met the criteria for an exemption;
- Noted the Council publicised its 2019/20 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; and
- Section 137 payments have been identified and are within the Council's spending limit.

We note that invoices have an authorisation slip attached which is signed by two Councillors, also that invoices are recorded individually in the minutes.

We obtained a manual file containing the invoices for the financial year and checked them to the cash book with no material omissions. We test checked approval of payments to the minutes.

Finally, we note that VAT has been identified correctly in the cashbook. A reclaim was made at the end of the financial year for £790.13, we confirmed this covered the period since the previous claim in August 2019. We agreed amounts claimed to the VAT recorded in the Cash Book and agreed the reclaim to a printout of the submission to HMRC.

Conclusion

No issues arise from this area of our work requiring 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 June 2020 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 under a three-year agreement running to June 2021. Cover includes Public and Employer's 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 has established a budget working party to consider future budgets in detail. Following review by the Working Party the Council met in December 2020 and agreed its 2021/22 budget and precept. We note the minutes did not formally record the value of the precept which is a helpful governance record.

We note that members continue to be presented with financial information at meetings including details of payments and budget reports. The Council considers reserves in conjunction with its Business Strategy Development Plan.

We reviewed outturn for 2020/21 comparing to prior year seeking explanations for material changes. We note that a grant for £2,500 paid in 2019/20 for a mower which causes a variation year on year in other receipts.

At the year-end the Council's balances were £22,706 (£23,437 at 31st March 2020). Spending in 2020/21 was £11,597. 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 2021/22 precept.

Review of Income

The Council's has received income during 2020-21 in the form of the annual precept, a rate refund from Wiltshire Council and sale of wood. We have checked and agreed all cashbook transactions to bank statements and agreed the precept to the list of precept demands from parish councils for 2020/21 published by the Government. We were provided with paperwork from Wiltshire Council to confirm the rates refund.

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. We have confirmed that returns were made to HMRC in respect of her salary and that a P60 was issued. We confirmed the gross pay to the national pay scales noting pay is consistent year on year. We confirmed monthly payslips were signed by two members.

Conclusion

Payments to the Clerk are recorded in the accounts and the AGAR.

Asset Register

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 confirmed assets are valued at cost net of VAT, as expected.

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 2020-21 AGAR at Section 2 agreeing it to the underlying cashbook and other relevant records, with no issues arising.

Conclusion

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 made in 2017/18	Response
Budgetary control and reserves		
R1	The Council should minute the value of the 2020/21 precept.	