Heytesbury, Imber & Knook Parish Council

Internal Audit Report 2021-22

Chris Hall
Consultant Auditor

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 AGAR.

This report sets out the work undertaken in relation to the 2021-22 financial year. We have again undertaken our review for the year remotely: we wish to thank the new Clerk for assisting the process, providing all necessary documentation in electronic format to facilitate completion of our review for the year and sign off of the Internal Audit Certificate in the year's AGAR. We have undertaken a representative volume of transaction testing, to ascertain whether governance and financial controls remain effective.

Internal Audit Approach

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

We have concluded that, based on the satisfactory completion of our programme of work for the year, the Council continues to maintain adequate and effective internal control arrangements. We have made three recommendations, detailed in the attached Action Plan, which we would ask Council to consider and respond to in due course.

We have therefore, completed and signed the 'Internal Audit Report', having concluded that the control objectives set out in that Report have been achieved within the financial year to a standard adequate to meet the needs of the Council, with the exception of a lack of an annual risk review.

We would like to take this opportunity to commend the Clerk on the clear and consistent manner in which the Council's financial and governance records have been presented for audit, following his recent appointment.

Detailed Report

Maintenance of Accounting Records & Bank reconciliations

Our objective in this area is to ensure that accounting records are being maintained accurately and currently and that no anomalous entries appear in the spreadsheet cashbooks maintained by the Clerk. Two accounts are in operation with Lloyds Bank. We have undertaken the following checks:

- Verified all opening and closing balances between the cashbook and the Annual Return (AGAR) for 2021-22;
- Ensured that appropriate analysis of receipts and payments exists to facilitate budget performance reporting and management throughout the year;
- Checked transactions between the Current and Deposit Accounts and the cashbook;
- Verified bank reconciliation detail on the Council's Current and Deposit accounts as at 31 March 2022;
- Ensured the accurate disclosure of the combined balances in the Annual Return for 2021-22.

Conclusions

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

Review of Corporate Governance

We note that the Council last reviewed its Standing Orders and Financial Regulations at its September 2020 Council Meeting. Tendering limits in both documents have been set at £10,000, which we believe is appropriate to a Council of this size. However, it is likely that these important Governance documents do not represent the current NALC versions,

We have reviewed the Council's Minutes for the financial year to determine whether or not any issues exist, or are developing, of a financial or legal nature that may impact on the audit opinion or the future financial stability of the Council. We have also ensured that, as far as we may reasonably be expected to ascertain, the Council has operated within its legal limitations.

We note that the new Clerk is not CiLCA qualified, and that therefore the Council can no longer apply the General Power of Competence to its miscellaneous expenditure which, if there is no specific legal power, must now be accounted for under Section 137 of the Local Government Act 1972.

The requirements of the Transparency Code became mandatory for smaller councils from 1st April 2015. We note that the Council continues to fully comply with the Code requirements for Smaller Authorities.

Conclusion and Recommendation

R1. Standing Orders and Financial Regulations should be reviewed to make sure they accord with the latest NALC Standard Forms.

Review of Payments

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Payments are supported by appropriate documentation, 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 codes have been applied to invoices when processed; and,
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have reviewed the procedures in place for receiving, checking for authenticity and accurate detail recording, processing by the Clerk and formal approval for payment by Councillors. We note that electronic payments are now in use, with some use of an approved Debit Card.

During our testing, we found a further instance where payment had been made, and VAT recovered, against an invoice that was not clearly made out in the name of the Council (in this case, relating to stationery items from Amazon). In such instances the VAT element should not be recovered from HMRC, and the amount paid should be recorded gross in the Council's accounts. We made a recommendation concerning this in our 2020-21 report, and are therefore required to repeat it.

Conclusion and Recommendation

R2. Every effort should be made to obtain invoices for payment that are clearly made out in the name of the Council. Where this is not possible, any VAT element should not be reclaimed, and the gross cost recorded in the Council's accounts.

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 current year insurance policy with the Local Councils Policy, brokered by BHIB and underwritten by Aviva, and we consider cover appropriate for the Council's present requirements;

- Found no record that the Council's Risk Assessment has been reviewed during the 2021-22 financial year, which is a requirement of Financial Regulation 17.1. This requires a negative assurance to be given against Assertion 5, Section 1 (Governance Statements) of the 2021-22 AGAR;
- Noted that the Council's play grounds and recreational areas continue to be inspected on an annual basis by RoSPA, with periodic inspections by designated Councillors.

Conclusion and Recommendation

R3. Council should ensure that a risk review is undertaken and formally approved at least annually.

Budgetary Control and Reserves

We note that Members undertook a Budget Setting and Precept determination process which was formally approved by the Council at the January 2022 meeting, setting the 2022-23 Precept at £16,066.

We also note that members receive regular budget performance reports, including the level of bank balances, at each meeting.

We have examined the level of year-end funds available to the Council. Earmarked Reserves of £16,540, which includes a General Reserve element of £3,665, are detailed in the cashbook but need to be formally approved by Council. Allowing for this, we have calculated the Council's General Reserve at £4,601 at 31 March 2022, which represents around 3.4 months expenditure. This should be kept under review, to accord with the Best Practice level of 6 months expenditure, or 50% of Precept.

Following recent events, the Council may also wish to consider establishing a formal Earmarked Reserve for future elections.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation, other than the observations concerning monitoring of the General Reserve and the formal approval of Earmarked Reserves.

Review of Income

The Council receives income from relatively limited sources, including the annual precept, grants and bank interest. We have tested the detail of income recorded in the cashbook to such supporting records as are available and to bank statements.

Conclusions

There are no issues arising in this area this year warranting formal comment or recommendation.

Petty Cash Account

The Council does not operate a petty cash account, any out-of-pocket expenses incurred by the Clerk being paid through the normal trader payment approval procedures. Subsequently, there are no issues arising in this area of our review warranting formal comment or recommendation.

Salaries and Wages

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 HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, noting that the clerk is currently not contributing to the pension fund.

We have checked the salary payments in the year for both the former and new Clerk to the approved salary and hours of employment, and appropriate HMRC deductions, with no issues arising.

Conclusions

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

Asset Registers

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 with the Clerk maintaining an appropriate register.

We have reviewed to ensure that assets are valued either at original cost or, where this is not available, a nominal £1. We note the discussion by the Council at its April 2021 meeting about the ownership of some assets, especially the War Memorial and The Blind House, which has been satisfactorily resolved in the Asset Register as at 31 March 2022.

Conclusions

There are no issues arising in this area this year warranting formal comment or recommendation.

Investments and Loans

The Council has no investments, nor any loan repayable either by it, or to it.

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

Raymond Trust

We have noted from the Council's Minutes that the management of this Trust has been given greater prominence. This is not an area that we have previously reviewed. After discussing it with the Clerk, we have placed reliance in his assertion that the level of annual transactions falls below the level where the Charity Commissioners require an independent audit to be conducted, which is supported by the published accounts on the Councils website. We will reconsider this issue during each annual audit.

Statement of Accounts and Annual Governance and Accountability Return

The Accounts and Audit Regulations 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. 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, other than the lack of an annual risk review as detailed above.

Rec. No.	Recommendation	Response
R1	(Corporate Governance) Standing Orders and Financial Regulations should be reviewed to make sure they accord with the latest NALC Standard Forms.	
R2	(Payments) Every effort should be made to obtain invoices for payment that are clearly made out in the name of the Council. Where this is not possible, any VAT element should not be reclaimed, and the gross cost recorded in the Council's accounts (*repeated from 2020-21*).	
R3	(Risk Management) Council should ensure that a risk review is undertaken and formally approved at least annually.	