

Mundon Parish Council

Internal Audit Report 2021-22

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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 (AGAR). Auditing Solutions Ltd have been asked to provide this service to Mundon Parish Council.

The Internal Audit for the 2021-22 financial year has been undertaken remotely. We wish to thank the Clerk for assisting in 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.

This report sets out the work undertaken in relation to the 2021-22 financial year, during our work in our office on the 11th April 2022.

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/Annual Return (AGAR). Our programme of cover has again been designed to afford appropriate assurance that the Council's financial systems remain 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 Annual Return (AGAR), which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We have concluded that, on the basis of the programme of work undertaken during our review this year, the Council now maintain more than adequate and effective internal control arrangements. We thank the Clerk for her assistance, which has helped the review process, and commend her for the timeliness and clarity with which the Internal Audit information was submitted for review.

We have completed and signed the 'Annual Internal Audit Report' in the AGAR for the year having concluded that the control objectives set out in that report were being achieved throughout the financial year to a standard that is adequate to meet the needs of the Council.

Detailed Report

Review of Accounting Records & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. The accounts are maintained using an Excel spreadsheet which we consider more than adequate for a Council of this size. We note that, at the beginning of the year, the Council operated three bank accounts with Barclays Bank plc and an account with National Savings and Investments. We have,

- Checked the opening trial balance detail for 2021-22 to the closing trial balance and certified AGAR for 2020-21;
- Verified that an appropriate cost analysis structure is in place on the excel spreadsheets;
- Noted that bank reconciliations appear to be prepared routinely on a regular basis;
- Checked and agreed all transactions for the year on all three Barclays Bank accounts;
- Ensured that the accounts remain “in balance” at the financial year-end; and,
- Agreed the bank reconciliations as at the 31st March 2021 on all three Barclays Bank accounts.

Conclusions

There are no matters arising in this area of review warranting formal comment or recommendation. We have ensured that the correct balances of cash have been reflected in the year end AGAR

Review of Corporate Governance

Our objective is to ensure that the Council has a robust regulatory framework in place; that Council meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are able to ascertain (as we do not attend Council or Committee meetings), no actions of a potentially unlawful nature have been or are being considered for implementation. We have in this regard:-

- Noted that Standing Orders were presented to and approved by Council at meeting of the Full Parish Council on the 16th November 2021 under Minute Reference 86 (a);
- Noted that Financial Regulations were reviewed by Council at the Annual Meeting of the Parish Council on the 18th May 2021 under Minute Reference 24 (c);
- Noted that the 2022-23 precept was agreed at £5,500 at the Council meeting held on 18th January 2022 under Minute reference 130 (b);
- Examined the minutes of meetings of the Full Council for the year to identify whether any issues arise that may have an adverse effect on the Council’s future financial stability with no apparent issues arising; and,
- Noted that the Council correctly provided the proper opportunity for the Exercise of Public Rights in accordance with the requirements of the Accounts and Audit Regulations.

Conclusion

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

Review of Expenditure

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;
- Members have met their fiduciary duties approving release of each payment in accord with existing legislation;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense headings have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery and that submissions have been made to HMR&C in a timely manner.

We have examined a sample of 22 non-salary transactions in the cash book for the year to ensure compliance with the above criteria with no issues arising. This sample had a total value of £4,520.37 and represented 81.38% of all non-salary transactions.

We are pleased to note that a single VAT reclaim was submitted to HMR&C in respect of the period to the 31st August 2021, in the amount of £128.77. We note that the Clerk has advised that VAT reclaims will be made once, annually, in future years.

Conclusions

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

Review of Assessment & 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 in order to minimise the opportunity for their coming to fruition. We have: -

- Examined the Council's current insurance policy which has been arranged through BHIB Insurance Brokers with Aviva Insurance and which provides cover in the year under review to 31st May 2022. The Policy, reference LCO00172 has Employers and Public Liability cover set at £10 million each, Officials Indemnity cover set at £500,000, Fidelity Guarantee, Liabile & Slander and Legal Expenses cover each set at £250,000, finally Personal Accident cover is set at £100,000. We consider this cover to be at an appropriate level for the Council's requirements;
- Noted that the Council reviewed and adopted their Risk Assessment for the year at the Full Parish Council meeting of the 18th January 2022, under Minute Reference 130 (c).
- Noted that the Council does not own any play area, recreation ground or other facility requiring them to undertake regular Health and Safety inspections.

Conclusions

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

Review of Budgetary Control and Reserves

We aim in this area of our review process to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount to be precepted on the District Council, that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans. To meet this objective, we have:

- Noted from our review of the minutes that members continue to be provided with regular management accounting information;
- Noted that a robust Budget Setting and Precept determination process was undertaken for the 2022-23 financial year culmination with the Budget and Precept being established at the Full Parish Council meeting of the 18th January 2022, under Minute Reference 130 (b);
- Considered the appropriateness of the level of general reserves to meet the Council's ongoing revenue spending requirements noting that reserves at the year-end total £15,571 (Prior year £20,214) of which £11,690 (Prior year £13,516) are set aside as earmarked reserves; the balance of £3,881.39 (prior year £6,698) equating to approximately five months' average revenue expenditure, which sits comfortably within the current CiPFA guidelines of retaining three to six months' expenditure; and,
- Reviewed the year-end budget outturn for any significant unexplained variances with none in evidence.

Conclusion

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

Review of Income

The Council has only limited sources of income, primarily the annual precept, together with bank interest, VAT refunds and grants.

We have checked and agreed detail of all income between the cashbook and bank statements for the financial year.

Conclusion

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

Review of Petty Cash Systems

The Council does not operate a petty cash account. All out-of-pocket expenses incurred by the clerk being reimbursed appropriately, any VAT incurred also being identified for recovery.

Conclusion

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

Review of Salaries and Wages

In examining the Council's payroll function, we aim to confirm that existing legislation is being appropriately observed as regards adherence to the requirements of HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions; To meet this objective, we have:

- Reviewed the Council's payroll preparation procedures noting that salaries are calculated by the Clerk utilising the HMRC PAYE Tools software;
- Checked to ensure that the Council has reviewed and approved appropriate pay scales for staff agreeing the salaries in respect of the year under review;
- Checked and agreed the amounts paid to individuals by reference to the approved pay rates, examining the payments made in July 2021;
- Ensured that PAYE & NIC deductions have been made where appropriate in respect of employee salaries by reference to the HMRC PAYE Tools software; and,
- Ensured that the appropriate month's deductions and contributions have been paid over to HMRC in a timely manner.

Conclusion

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

Review of Fixed Asset Register(s)

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We are pleased to note that an appropriate asset register is in place. We are also pleased to note compliance with the AGAR reporting requirements with the purchase cost (net of VAT) of any new assets acquired in the year added to the register and disclosed appropriately in the year's AGAR.

We have agreed the stated Fixed Asset Register value for the 2021-22 financial year in the amount of £10,268.83.

Conclusion

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

Review of Investments & Loans

Our objectives here are to ensure that the Council is “investing” surplus funds, be they held temporarily or on a longer term basis in appropriate banking and investment accounts; that an appropriate investment policy is in place; that the Council is obtaining the best rate of return on any such investments made; that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

We have confirmed that the Council holds no long-term investments requiring disclosure in the Statement of Accounts, nor are there any loans with external bodies in existence repayable by or to it.

As in previous year Internal Audit reports, we advise the Clerk/RFO and Members that, although it is not mandatory, it is best practice that when funds are held in excess of £10,000 an investment policy should be in place.

Conclusion

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

Statement of Accounts and Annual Governance & Accountability Return

The 1996 Accounts and Audit Regulations required that all Councils prepare a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council’s financial affairs. The Council’s accounts are managed in a number of Microsoft Excel spreadsheets, detail of which we have examined and consider reflects accurately the year’s transactions as recorded therein. The software is also used to generate the detail for inclusion in Section 2 – Accounting Statements of the year’s Annual Governance & Accountability Return, which we have also verified as being consistent with the accounting and other relevant supporting records.

We have also reviewed the procedures in place for identifying year-end debtors, creditors and accruals and agreed the detailed values recorded in the year-end Balance Sheet to the underlying records with no long-standing unpaid accounts or other issues arising.

Conclusion

There are no matters arising in this area of our review warranting formal comment or recommendation and, on the basis of the work undertaken during the course of our review for the year, we have “signed off” the Internal Audit Certificate in the Annual Governance and Accountability Return assigning positive assurances in all areas.

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NOTE TO REPORT

We confirm that all confidential & sensitive information, supplied for the purposes of this audit including, Personnel Minutes, Payroll and Employment data have been permanently deleted from Auditing Solutions Ltd.’s servers and any printouts made for the purposes of this audit have been destroyed in accordance with the Company’s data and document retention policies and with the prevailing General Data Protection Legislation.