

## **Mundon Parish Council**

*Internal Audit Report 2020-21*

---

*John Watson*

*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.

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 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 2020-2021 financial year, during our work in our office on 6th May 2021.

## **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 new Clerk for her assistance, which has helped the review process.

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

### Maintenance 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 2019-20 to the closing trial balance and certified AGAR for 2019-20;
- 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;
- Agreed the bank reconciliations as at 31<sup>st</sup> March 2021 on all three Barclays Bank accounts; and,
- Noted that the National Savings and Investments account was closed in March 2021.

#### *Conclusions*

*We are pleased to report that there are no issues arising in this area of our review process 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 their meeting on 16th March 2021 (minutes 21 d refers);
- Also noted that Financial Regulations were reviewed by Council at their meeting on 16th March 2021 and referred to a subsequent meeting for final approval;
- Further noted that the 2020-2021 precept was agreed at £4,750 at the Council meeting held on 17<sup>th</sup> November 2020 (minute 24 c refers); we do note however that the amount of the precept was not recorded in the minutes and recommend that this be rectified at the next meeting. Council should ensure in future that the amount of the precept is recorded in the minutes;
- 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 has correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations at the appropriate time in 2019.

We are pleased to note that the Council went out to tender in respect of grass cutting and suggest that this be done every three years as a minimum.

### ***Conclusions and recommendations***

*R1. The amount of the 2021-2022 precept should be recorded in the minutes of the next meeting of the Council. Council should ensure the amount of the precept is recorded in the minutes in future.*

## **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;
- 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 all non-salary transactions in the cash book for the year to ensure compliance with the above criteria with no issues arising; we have raised two queries regarding VAT with the Clerk and understand she will investigate accordingly.

We are pleased to note that a VAT reclaim has now been submitted to HMR&C in respect of the period 1st September 2017 to 31st August 2020. We have reviewed a copy of this claim and suggest the new Clerk should check to ensure all possible VAT has been reclaimed.

### ***Conclusions***

***We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.***

## **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 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 31<sup>st</sup> May 2021. Employers and Public Liability cover is in place at £10 million each and Fidelity Guarantee cover is in place at £250,000; 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 their meeting on 19th January 2021 (minute 19 c refers); and
- Noted that the Council does not own any facilities requiring them to undertake regular Health and Safety inspections.

### ***Conclusions***

***We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.***

## **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 2021/22 budget exercise was undertaken and approved by Council as part of their Precept deliberations at their meeting on 17<sup>th</sup> November 2020 (minutes 24 c refers);
- Further noted as detailed previously in this report that the 2020/21 precept has been agreed at the Council meeting held on 17<sup>th</sup> November 2020 (minute 24 c refers);
- 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 £20,214 of which £13,516 are earmarked reserves; the balance of £6,698 equates to just over twelve months average revenue expenditure which is above the generally accepted guidelines of between three and six months' expenditure; and
- Reviewed the year-end budget outturn for any significant unexplained variances with none in evidence.

### ***Conclusions***

***We are pleased to report that there are no issues arising in this area of our review process 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.

### *Conclusions*

*We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.*

## Petty Cash Account

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.

### *Conclusions*

*We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.*

## 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 March 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;

We are pleased to note that the position regarding payment of outstanding taxes deducted to HMRC appears to have been regularised.

### *Conclusions*

*We are pleased to report that there are no issues arising in this area of our review process 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 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 also previously commented that the new laptop purchased by the Council during 2018-2019 was gifted to the then outgoing Clerk. We understand that EALC have ruled that this gift was permissible.

Finally, we noted that the Council holding of a 2 ½% Consolidated Stock has been redeemed, funds being received by the Council in November 2020.

### **Conclusions**

*We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.*

## **Investments and 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 previously noted that the Council held an account with National Savings and Investments and that this account has now been closed.

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.

We point out 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.

### **Conclusions**

*We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.*

## **Statement of Accounts and Annual 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 relies on the Accounts statements generated by the Excel spreadsheets to provide the relevant detail, together with that for disclosure in the year's Annual Return at Section 1.

We have reviewed the Statement of Accounts and Annual Return detail prepared by Clerk, as generated from the amended accounting spreadsheets with no obvious errors or anomalies in the detailed content

### ***Conclusions***

***No issues have been identified in relation to the verification of detail in the Statement of Accounts and Annual Return in the year.***

***On the basis of our detailed work during the course of the year on the Council's systems of financial control and content of the detailed Statement of Accounts and that summarised detail set out in the AGAR, we have signed off the Internal Audit Report of the AGAR for the year assigning positive assurances in each relevant area.***



# ACTION PLAN

Rec. No.	Recommendation	Response
<b>Review of Corporate Governance</b>		
R1	The amount of the 2021-2022 precept should be recorded in the minutes of the next meeting of the Council. Council should ensure the amount of the precept is recorded in the minutes in future.	