

Calne Without Parish Council

Internal Audit Report 2019-20

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*For and on behalf of
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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 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 and sign off of the Internal Audit Certificate in the year's AGAR. 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 again 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 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 annual 'Internal Audit Report', which requires independent assurance over specified internal control objectives.

Overall Conclusion

We have concluded that, on the basis of the programme of work undertaken this year, the Council has again maintained adequate and effective internal control arrangements. We do have some recommendations for improvement for the Council's consideration. These are detailed in the body of the report and set out in an Action Plan as an Appendix.

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

Detailed Report

Maintenance of Accounting Records & Bank Reconciliation

The clerk maintains the Council's accounting records using a spreadsheet, which is considered more than adequate for the volume of annual transactions. It is in columnar form, with a separate column for VAT. Two bank accounts are in place for everyday operations, both with Lloyds Bank plc, with further accounts opened during the year in accordance with the new Investment Strategy (see below).

We note that, while there is a high level of detail and analysis in the cash book for expenditure items, there is no corresponding detail for income. Even though this is of a limited nature (Precept, bank interest, VAT recoveries and grants received), clear recording of such items would greatly facilitate budgetary control and reconciliation.

We have test-checked cashbook entries to the bank statements for the financial year also agreeing the year-end cashbook / bank statement reconciliation to ensure there were no anomalous items or out-of-date cheques.

Conclusion and recommendation

R1. Accounting records should be enhanced to record detail of all income receipts.

Review of Corporate Governance

We are pleased to note that the Council's Standing Orders (SO) and Financial Regulations (FR) were reviewed and re-approved by the Council in July 2019. With regard to tendering levels, we note that these are still at the Model Form level of £25,000 (SO18 and FR10.1b). Reducing these levels to a level more appropriate to the Council's current pattern of expenditure would help in demonstrating the achievement of value for money.

We have continued our examination of the Council minutes for the year to determine whether any issues exist that may have either a legal or financial impact on the Council and its future financial stability, whilst also ensuring that the Council has neither considered or is considering any actions that may result in ultra vires expenditure.

The requirements of the Transparency Code became mandatory for smaller councils from 1st April 2015. We are pleased to note that the Council continues to publish all the required documents on their website, and indeed goes further in the spirit of Open Government.

We did note that some of the website links are downloadable in Excel format, which is vulnerable to fraudulent manipulation. All downloadable documents should be in PDF format, which is far safer.

Conclusion and recommendation

R2. Council should consider reducing the tendering levels in SO's and FR's. £15,000 is suggested as a reasonable level in the light of expenditure patterns.

R3. All documents downloadable from the website should be in PDF format.

Review of Payments

We have tested a sample of 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 in the cashbook and are within the Council's spending limit.

We note that the Council introduced internet banking during the 2019/20 financial year.

We are pleased to note that, from the sample reviewed, Councillors are continuing to authorise individual invoices as evidence of their review, which accords with best practice.

We were pleased to note that all payments continue to be detailed in the Minutes of each Council meeting.

We reviewed the recording and reclaiming process for VAT. We note that VAT has been identified correctly in the cashbook, but not reclaimed where the invoice is not clearly identified in the name of the Council. Likewise, VAT on petty cash payments is not reclaimed where the receipt does not clearly show a VAT registration number. While this is legally correct, it does represent a small loss of income to the Council.

It was noted that only one VAT reclaim has been made during the year (received in March 2020), that included some transactions from 2018/19. The balance outstanding at 31 March 2020 is £1,029.19, although this does include some large charges in March for website design and a new bus shelter.

Conclusions and recommendations

R4. Every effort should be made to obtain a VAT invoice or receipt for each transaction that clearly shows the payee as the Council, and a VAT registration number.

R5. VAT reclaims should be made more frequently to enhance the Council's cashflow and interest earnings.

Assessment and Management of Risk

We are pleased to note that the Council has formally minuted its annual review and re-adoption of the Risk Register at the July 2019 meeting, which meets the requirement of Financial Regulations. However, as the Risk Register is a corporate document that should inform Council's strategic thinking, we would recommend that it be reviewed more frequently, such as quarterly.

The Council's insurance has been renewed with Inspire (Axa) on a 3-year Long Term Agreement from June 2019. Cover remains appropriate for a Council of this size.

Conclusions and recommendation

R6. Council should consider reviewing the Risk Register more frequently, eg. quarterly.

Budgetary Control and Reserves

During 2019/20 the Council established a Finance Sub-Committee to undertake a detailed review of the 2020/21 budget proposals, which were subsequently approved by the Full Council at the December 2019 meeting. The 2020/21 Precept was properly approved at a figure of £28,161.

The above process identified outstanding Community Infrastructure Levy (CIL) balances of £137,082, and projects of £32,500, which constitute identified earmarked reserves. The resulting General Reserve is therefore around £10,926 which represents around 5 months normal expenditure. This is considered to be an adequate reserve.

We also note that members continue to be provided with regular detail of bank balances, together with detail of all payments. We consider that this affords an appropriate level of budgetary monitoring for the Council.

Conclusion

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

Review of Income

The Council's has received limited income during 2019-20 in the form of the annual Precept, a VAT reclaim, Community Infrastructure Levy funding, and bank interest. We have test-checked these transactions to the bank statements and other available supporting documentation.

Conclusion

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

Petty Cash Account

The Council operates a limited petty cash account, with occasional "top-ups", which totalled £200 in 2019-20. This meets miscellaneous expenses such as postage and the purchase of miscellaneous stationery items.

The Council has provided evidence confirming that the physical cash held at the year-end was £7.52 which agrees to the amount used in the year-end bank reconciliation.

Conclusion

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

Salaries and Wages

The Council only has one employee, the Clerk, who started at the beginning of the 2018-19 financial year. Payments to the Clerk are managed by an external payroll service. A test-check of the September 2019 payroll shows that basic pay and overtime are properly recorded on the basis of hours worked, and that HMRC records are properly maintained although the Clerk's earnings are below the threshold for tax.

We did note a small issue with the inclusion of travel costs in the total for Staff Costs on the draft AGAR originally supplied. These are not deemed to be direct staff costs, but are classed as other expenditure on behalf of the Council. The Clerk has made the appropriate correction.

Conclusion

We are pleased to record that no issues arise in this area, other than that noted.

Asset Registers

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned and are pleased to note compliance with this requirement.

We are pleased to note that all identified assets are valued at purchase cost (net of VAT) or an approved nominal value where this cannot be reasonably ascertained, and properly recorded in the 2019/20 AGAR. However, the register should be formally approved by the Council once the current meeting restrictions have been lifted.

Conclusion

We are pleased to record that no significant issues arise in this area, other than retrospective Council approval.

Investments and Loans

The Council formally adopted an Investment Strategy at its September 2019 meeting, which was amended in October 2019. This places the Council's surplus funds in interest-earning accounts that are guaranteed by the Financial Services Compensation Scheme up to a level of £85,000 per account.

The Council has no loans in place either repayable by or to it.

Conclusion

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

Statement of Accounts and AGAR

Recent local government legislation is aimed at increasing the awareness of the public and openness in the management of public finances. The AGAR provides the basis for the external auditor's certificate, and, given the limited information contained in Section 1 of the Return, it is considered good practice for Councils to continue to produce a more detailed statement identifying the nature of the Council's financial transactions during any given year.

We are pleased to note that the Clerk has produced a Summary Receipts and Payments Account to support the detail in the Annual Return, together with Supporting Notes.

We have duly agreed the detail on these documents and the year's Annual Return to the underlying financial and other records.

Conclusion

We have agreed all detail in the Summary of Receipts and Payments Account, AGAR and Supporting Statement and have duly signed off the Internal Audit Report assigning positive assurances in each of the areas.

Rec. No.	Recommendation	Response
R1	<i>(Accounting records)</i> Accounting records should be enhanced to record detail of all income receipts.	
R2	<i>(Corporate Governance)</i> Council should consider reducing the tendering levels in SO's and FR's. £15,000 is suggested as a reasonable level in the light of expenditure patterns.	
R3	<i>(Corporate Governance)</i> All documents downloadable from the website should be in PDF format.	
R4	<i>(Review of Payments)</i> Every effort should be made to obtain a VAT invoice or receipt for each transaction that clearly shows the payee as the Council, and a VAT registration number	
R5	<i>(Review of Payments)</i> VAT reclaims should be made more frequently to enhance the Council's cashflow and interest earnings.	
R6	<i>(Management of Risk)</i> Council should consider reviewing the Risk Register more frequently, eg. quarterly.	