

Northchurch Parish Council

Internal Audit Report 2019-20

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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 Return.

This report sets out the work undertaken in relation to the 2019-20 financial year.

Internal Audit Approach

In undertaking our review for the year, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts/Annual Return. We have employed a combination of selective sampling techniques (where appropriate) and 100% detailed checks in a number of key areas in order to gain sufficient assurance that the Council's financial and regulatory systems and controls are appropriate and fit for the purposes intended.

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 'Annual Internal Audit Report' in the Council's Annual Return, 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 this year, the Council has again maintained more than adequate and effective internal control arrangements. We commend the Clerk for the excellent records kept by her and thank her for her assistance, which has ensured the smooth progress of our review process.

Consequently, we have completed and signed the 'Internal Audit Report' as part of the year's AGAR process having concluded that, in all significant respects, the internal control objectives set out in that report were achieved throughout the financial year to a standard 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 Clerk continues to maintain the accounting records utilising the bespoke RBS Alpha software.

We have: -

- Checked and agreed the opening trial balance detail with that in the 2018-19 Statement of Accounts;
- Noted that the cost centre and expenditure coding structure is appropriate for the management needs of the Council in terms of controlling expenditure;
- Checked detail in the March 2020 current account cashbook, examining all transactions with reference to the supporting bank statement.
- Verified closing balances at 31st March 2020 to the final Alpha Trial Balance, with no issues arising.
- Reviewed the detail on bank reconciliations as at 31st March 2020 on all accounts to ensure that no long-standing cheques or other anomalous reconciling entries are apparent.
- Verified the year-end bank balances for all bank accounts, ensuring the accurate disclosure of the combined balance in the year-end Accounts & AGAR.

Conclusions

We are pleased to report that no matters have arisen in this area of our review process warranting formal comment or recommendation; we have ensured the accuracy of the year-end balances reported in the detailed Statement of Accounts and AGAR.

Review of Corporate Governance

Our objective here 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, no actions of a potentially unlawful nature have been or are being considered for implementation.

We note that the Council's extant corporate governance documentation in the form of Standing Orders; Financial Regulations were re-affirmed by Full Council in January 2020. A few changes have been highlighted and they are scheduled to be implemented in June 2020.

Reviewed the external auditor's report, issued since our last visit, to confirm they are raising no matters regarding the Councils accounts and governance

We have also reviewed minutes of the Full Council for the year to 31st March 2020 to identify whether there are any salient financial or other issues that may affect the Council's future performance and financial stability and are pleased to report that no such issues were identified

We are pleased to note that payments listings are submitted to Council on a regular basis and that grants and donations are approved annually by the Council. We are also pleased to note that The Clerk is CiLCA qualified to Community Governance Level 4.

We thank the Chairman for completing our “Corporate Governance Questionnaire”, which aims to afford us further assurance as to the soundness of the Council’s overall governance arrangements

Conclusion

We are pleased to report that no significant issues have been identified in this area this year.

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;
- 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 considered the Council’s arrangements for the review, approval and authorisation of the release of funds in the year, noting that each online payment is subject to appropriate authorisation, scrutiny and approval by members at the monthly Council meetings.

To ensure compliance with the above criteria, we have examined a sample of 22 payments processed in the financial year. Our test sample provides a broad cross section of expenditure and traders’ invoices totalling £24,473 and equates to 33% of total non-pay related expenditure.

We note that a schedule of direct debit and standing order payments is prepared by the Clerk each financial year and authorised by two council members. Other invoices are approved by F&GP committee, the Clerk then posts the payments online and councillor releases.

Conclusions

We are pleased to report that no issues have been identified in this area warranting formal comment.

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 note that that the Council have reviewed the Risk Assessment utilising LCRS software. It was unable to be formally readopted as the meeting was cancelled due to the Covid19 pandemic. It is now scheduled to be reviewed and readopted at the August 2020 meeting after restrictions have been lifted.
- Examined the Council's current insurance policy with Axa covering the the period 1st October 2019 to 30th September 2020 with Public Liability cover being provided at £10m and Employers Liability at £10m. The Fidelity Guarantee at £150k, may be inadequate when the Precept is received due to the amount of reserves held.
- Noted that the Council's play area at the Recreation Ground is regularly inspected by a councillor after completion of a two day training course with RoSPA. An annual inspection is also undertaken by RoSPA.

Conclusions and recommendations

We consider that the Council has effective risk management processes in place.

R1 -Recommendation - Insurance Employee Fidelity of £150k, the council needs to be mindful this may be inadequate cover at when the precept is received in April & September.

Review of Income

In this area of our review work, we aim to ensure that all income due to the Council is identified, invoiced (where applicable) and recovered at the appropriate rate and within a reasonable time scale, also that it is banked promptly in accordance with the Council's Financial Regulations. The Council has additional income to the annual Precept, from grants, allotments, wayleaves, sports pitch hire and leases.

We have reviewed the relevant, nominal ledger and cash book to ensure that the fees have been correctly allocated.

Conclusions

We are pleased to report that no issues have been identified in this area warranting formal comment.

Petty Cash Account

The Council does not operate a petty cash account: the clerk reclaiming any out-of-pocket expenses as and when they are incurred.

Review of Salaries

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.

The clerk is the only employee and she is paid monthly by standing order, her salary is calculating using Sage payroll software.

Conclusions

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

Precept Determination and Budgetary Control

In this area of our coverage, we aim to ensure that the Council has sound procedures in place for the determination of its annual budget and also for monitoring and managing available resources throughout the financial year.

Budgetary Control and Reserves

We aim in this area of our work 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 of the precept to be submitted to the parent Council and 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.

We are pleased to note that, at their meeting held on 20th January 2020, Council agreed the detailed budget and set the precept for 2020-21 at £32,120, (minute ref.49.4).

Finally, we note that, as at 31st March 2020, earmarked Reserves stood at £154,638 and the general reserve £12,961, this equates to less than two month's expenditure and is below the guidelines of between three and six months revenue spending. We note that £150,000 of the earmarked reserve is for a Council office, as the Council may be required to vacate the current rented premises.

Conclusions

We are pleased to report that no issues have been identified in this area warranting formal comment.

Asset Registers

The Governance and Accountability Manual requires all councils to develop and maintain a register of assets identifying detail of all land, buildings, vehicles, furniture and equipment owned by the Council.

We are pleased to note that the Clerk had prepared a detailed asset register which has been updated to include 1 additional asset purchased in 2019-20. A physical review of the assets was carried out in conjunction with a representative from the insurance broker, Came & Company three years ago.

Conclusions

We are pleased to report that there are no significant issues arising in this area of our review process warranting formal comment or recommendation. We have ensured the appropriate recording of these assets in the AGAR.

Investments and Loans

The Council holds no long-term investments warranting separate disclosure in the Accounts nor does it have any loans either repayable by, or to, it.

Statement of Accounts and AGAR

The 1996 Accounts and Audit Regulations required all Councils to prepare annually a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council's financial affairs.

We have reviewed the Statement of Accounts and AGAR detail prepared, as generated from the accounting software, 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 AGAR this 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 assigning positive assurances, in each relevant area.