

South Hinksey Parish Council

Internal Audit Report 2019-20

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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 Annual Governance and Accountability Return (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 of necessity undertaken our review for the year remotely: we wish to thank the Clerk in 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 had due 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, as applied to all clients, is 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 'Internal Audit Report' in the Council's AGAR, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We have concluded that, based on the results of our review programme for the year, the Council has again maintained adequate and effective internal control arrangements. The work undertaken on the Council's accounting and other records is set out in the following detailed report, together with those issues arising with any recommendations further summarised in the appended Action Plan.

We have completed and signed the 'Internal Audit Report' as part of the AGAR process, having concluded that 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

Review of Accounting Records and Bank Reconciliations

The Clerk maintains the Council's accounting records using an Excel spreadsheet, which we consider appropriate given the annual level of transactions. The cashbook contains appropriate analysis columns to provide detailed information for inclusion in the Council's annual Statement of Accounts and the statutory AGAR. Two bank accounts are in place with HSBC, a Current account for day-to-day transactions and a Deposit Account into which quarterly interest received is recorded.

Due to their low volume, we have checked and agreed the full year's financial transactions, as recorded in the cashbook, to supporting bank statements with no issues arising. We are also pleased to note that bank reconciliations and budget performance are reported to and reviewed by members during the course of the year and have verified the accuracy of the year-end bank reconciliation and accurate disclosure of year-end balances in the AGAR.

Finally, in this area, we have ensured the correct disclosure of the combined account balances in the year's AGAR at Section 2, Box8.

Conclusions

No issues have been identified in this area warranting formal comment or recommendation. We do, however, draw the Clerk and members' attention to the recently adopted (July 2020) Financial Regulations which, at paragraph 2.2 details the need for bank reconciliations to be scrutinised and signed off at least quarterly by an independent (i.e. non-cheque signing) councillor). We ask that, for future years' audits, we be provided with copies of the signed-off reconciliations.

Review of Corporate Governance

Our objective in this area is to ensure that the Council is complying with best practice and has put in place appropriate arrangements to ensure that good governance is practiced and observed.

The Council reviewed and re-adopted unchanged its Standing Orders (SOs) and Financial Regulations (FRs) at the May 2019 Council meeting, recording the decision to undertake a further review of both with the intention of bringing them into line with the NALC model documents. We note that further consideration to amending the SOs was minuted later in the year, although no formal review appears to have taken place as yet. We do, however, note as above that the FRs were reviewed and brought into line with the latest NALC model document: we are pleased to also note that the limit for formal tender action is recorded as £10,000 which we consider appropriate for a Council the size of South Hinksey.

We have reviewed the Council's minutes for the year and to date in 2020-21 as posted on the Council's website to ensure that, as far as we may reasonably be expected to ascertain, no issues exist or are developing that may have an adverse affect on the Council's financial stability either currently or in the foreseeable future and are pleased to note that no such issues appear to exist.

Conclusions

We are pleased to record that no issues arise in this area this year warranting formal comment or recommendation. We shall continue to review the Council's approach to governance at future audits also checking to ensure that the SOs are revised and brought into line with the latest NALC model document, also ensuring that they also refer to a formal tender limit of £10,000 rather than the model document's value of £25,000.

We also understand that, as a result of the UKs impending UKs exit from the EU, NALC were, prior to the current Covid-19 crisis, preparing a further revision to both SOs and FRs which was due to be promulgated in the summer of 2020: this timescale will obviously now slip and we will keep the Council advised as soon as we hear of any developments in this respect.

Review of Payments

Due to the impact of the Covid-19 pandemic and the need for us to work remotely in undertaking the 2019-20 audit, we have selected a reduced sample of 17 non-pay related payments processed during the year: our test sample totalled £13,900 and equated to 89% of the year's non-pay related payments. We have reviewed these payments to ensure that the following criteria were met:

- Payments were supported by a trade invoice or appropriate acknowledgement of receipt
- VAT has been calculated correctly and identified for annual recovery
- The Council at a Council meeting approved each payment
- Payments have been correctly analysed in preparation of the year-end Statement of Accounts, and
- Section 137 payments have been identified in the cashbook and are within the Council's spending limit.

We are pleased to record that no issues arise in this area again noting that two members continue to initial each invoice / payment docket.

We are also pleased to note that a VAT reclaim has been prepared and submitted to HMRC covering the year's expended VAT, noting that HMRC repaid the reclaimed amount on 27th March 2020.

Conclusions

We are pleased to record that no issues arise warranting formal comment or recommendation in this area.

Assessment and Management of Risk

We are pleased to note that the Council has again reviewed and re-adopted its risk register at both the May and September 2019 meetings, minutes of the latter recording amendments to the previous detail, which were duly adopted. We have reviewed the content of the register and consider it appropriate for the Council's present needs.

We have also examined the Council's annual insurance schedule and consider that it is in line with expectation and remains appropriate for the Council's current needs with Public and Employer's Liability cover both in place at £10 million, together with fidelity guarantee cover at £50,000.

Conclusions

No issues have been identified in this area warranting formal comment or recommendation.

Budgetary Control and Reserves

We are pleased to note that the Council minutes (December 2019) confirm that following due deliberation the budget and precept for 2020-21 were agreed and adopted with the latter set at £19,920.

Total year-end reserves have reduced marginally to £16,113 (£17,717 as of 31st March 2019) now including three earmarked reserves of £3,178 (Community Woodland); £100 (Transparency Grant) and election costs (£650). The residual General Reserve fund balance of £12,185 equates to approximately 7 months' revenue spending at the 2019-20 level and sits comfortably within the generally recognised guideline of between 3 and 12 months' revenue spending.

Conclusions

No issues have been identified in this area warranting formal comment or recommendation.

Review of Income

The Council has only limited sources of income in addition to the annual precept, comprising burial and associated fees, various grants, contributions and donations, together with bank interest and VAT refunds. We have checked and agreed the cashbook income entries to bank statements and supporting documentation, also reviewing and agreeing the detail of burial fee income to the approved scale of fees and charges from one interment in the year and the erection of one memorial.

We note that the Burial Ground rules and regulations, which incorporate the schedule of fees and charges, have been the subject of much debate during the year also noting that revised fees have finally been adopted at the June 2020 meeting.

As recorded in last year's report, we suggested that, in order to ensure clarity of the audit trail, the undertaker and stonemason application forms be amended to include detail of how the fee received is made up: we consider this both a move to reflect best working practice, especially in the light of the relatively complex fee structure dependent on clients residential status in the parish.

Conclusions and recommendations

No significant issues or concerns have been identified in this area although, as reported last year, we consider that, as indicated above and in line with best practice, an improved audit trail should be established / recorded on the undertaker and stonemason applications identifying the constitution of fees received.

R1. Undertaker and stonemasons' application forms could and should, ideally, be revised to include a breakdown clearly showing the composition of fees paid to the Council.

Petty Cash Account

The Council does not operate a petty cash account, any “out-of-pocket” expenses incurred by the Clerk or members being repaid through the general invoice payment procedures.

Review of Staff Salaries

We have again reviewed the Clerk’s contract of employment noting that it was amended to take account of the changes in the national pay scales applying from 1st April 2019, also noting that the document identifies the 2019-20 salary pay point and basic monthly working hours and reference to the “home working allowance”.

We have reviewed the calculation of the Clerk’s gross salary, initially paid quarterly and latterly monthly during the year against the terms set out in the employment contract with no issues arising this year.

Conclusions

No issues have been identified in this area warranting formal comment or recommendation.

We wish to draw the Clerk’s attention to the changed rules as regards recording of Staff Cost expenditure in Box 4 of the AGAR which come into effect from the 2020-21 financial year: the JPAG Practitioner’s Guide 2020 refers at Page 17.

Fixed Asset Registers

The Governance and Accountability Manual requires that all councils establish and maintain inventories/asset registers of buildings, land, plant and equipment, etc. owned by them. We are pleased to note that the Council has again complied with this requirement, also recording asset values at the prior year AGAR value, amended only by the cost of new acquisitions and the one disposal / replacement in 2019-20.

Conclusions

We are pleased to report that no issues arise in this area with the value of assets, as recorded in the register, accurately reported in the year’s AGAR.

Investments and Loans

The Council holds no specific investments or loans requiring separate disclosure.

Statement of Accounts and AGAR

The AGAR, Section 2 now acts as the Council’s statutory Statement of Accounts subject to external audit review and certification. However, as the Council again meets the criteria for seeking exemption from the external audit process (i.e. turnover below £25,000) it has duly self-certified its exemption in the year’s AGAR.

We have checked the detail disclosed in the year's AGAR at Section 2 to the supporting cashbook analysis and the total receipts and payments, as reported in the Exemption Certificate within the year's AGAR with no issues arising.

Conclusions

Having verified the accuracy of disclosure of the year's financial transactions in the AGAR and the satisfactory conclusions drawn from our programme of work for the year, we have duly signed off the Internal Audit Report in the AGAR assigning positive assurances in each relevant area.

Rec. No.	Recommendation	Response
Review of Income		
R1	Undertaker and stonemasons' application forms could and should, ideally, be revised to include a breakdown clearly showing the composition of fees paid to the Council.	