

South Hinksey Parish Council

Internal Audit Report 2020-21

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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 2020-21 financial year. Due to the continuing impact of the Covid-19 pandemic, we have again 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. The Council should now consider this report and respond to the recommendations made in due course.

We have completed and signed the 'Internal Audit Report' as part of the AGAR process, having concluded that, with the exception of Risk Management, 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.

We have test-checked a sample of transactions, as recorded in the cashbook, to supporting bank statements with no issues arising. We note that bank reconciliations and budget performance are reported to and reviewed by Councillors 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.

We are again concerned to note that independent checks in accordance with Financial Regulation 2.2 are not in evidence, particularly in light of the Council's decision in July 2020 to make all Councillors, as well as the Clerk, signatories on the bank account. This is an important internal control.

Finally, in this area, we have ensured the correct disclosure of the combined account balances in the year's AGAR at Section 2, Box 8.

Conclusions and recommendation

R1. An independent Councillor (ie. not a signatory on the bank account) should be appointed to undertake periodic inspections of the financial records to meet the requirements of Financial Regulation 2.2, and report appropriately to the Council after each inspection.

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 its Financial Regulations at the July 2020 Council meeting. The Council's Standing Orders have not been reviewed since September 2019, and are not in the NALC Model format – in particular it does not record tendering limits which should match with appropriate sections of Financial Regulations.

We have reviewed the Council's Minutes for the year 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.

Finally, we are pleased to note a good level of documentation on the Council's website that meets the requirements of the Transparency Code 2015.

Conclusions and recommendation

R2. The Council should review its Standing Orders to bring them into line with the NALC Model form, including appropriate tendering limits matched to its Financial Regulations.

Review of Payments

We have test-checked an appropriate sample of transactions in the cashbook to determine whether 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 note that the Council reclaims VAT from HMRC on a half-yearly basis.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

Assessment and Management of Risk

We note that the Council failed to review its Risk Register during 2020-21, and has self-declared this on the Governance Statement in the AGAR.

We have examined the Council's annual insurance schedule with Aviva, 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, Official Indemnity at £500,000 and sufficient cover for the Council's assets.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

Budgetary Control and Reserves

We note that the Council Minutes in December 2020 confirm that, following due deliberation, the budget and Precept for 2021-22 were agreed and adopted with the latter set at £20,150.

As part of the budget setting process, the Council established Earmarked Reserves of £5,779, plus a further £4,003 from the Community Infrastructure Levy. At 31 March 2021, this leaves a General Reserve of £13,386, which represents around 66% (8 months) of the Precept. This is an acceptable level, although the Council should keep it under review.

Conclusions

No issues arise 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, with no issues arising.

We note that the Burial Ground rules and regulations, which incorporate the schedule of fees and charges, have been set to align with the Oxford City Council levels, being adopted at the June 2020 meeting.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

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 reviewed the calculation of the Clerk’s gross salary, against the terms set out in the employment contract and appropriate HMRC records with no issues arising.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

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, to be valued at original net cost or, where this is not identifiable, a suitable value which can be a nominal £1.

We are pleased to note that the Council fully complies with this requirement.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

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. We note that, for 2020-21, the income total exceeds £25,000, which makes the Council's accounts subject to External Audit for this year.

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, 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 appropriate assurances in each area.

Rec. No.	Recommendation	Response
Bank Reconciliations		
R1	An independent Councillor (ie. not a signatory on the bank account) should be appointed to undertake periodic inspections of the financial records to meet the requirements of Financial Regulation 2.2, and report appropriately to the Council after each inspection.	
Corporate Governance		
R2	The Council should review its Standing Orders to bring them into line with the NALC Model form, including appropriate tendering limits matched to its Financial Regulations.	