

Upton Scudamore Parish Council

Internal Audit Report 2021-2022

Chris Hall
Consultant Auditor

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 AGAR.

This report sets out the work undertaken in relation to the 2021-22 financial year. We have undertaken our review for the year remotely: we wish to thank the Clerk in assisting the process, providing all necessary additional 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 still undertaken sufficient transaction testing to offer a valid opinion as to whether governance and financial controls remain effective.

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 / AGAR. 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 'Internal Audit Report' as part of the Council's AGAR process: this requires independent assurance over a number of internal control objectives.

Overall Conclusion

We have concluded that, on the basis of the satisfactory conclusion of our annual programme of work, the Council has continued to maintain adequate and effective internal control arrangements. We have identified some minor issues which are detailed in the following report, which we would ask the Council to consider even though they do not merit formal recommendations.

We wish to thank the Clerk for the very clear way transactions are recorded and for her assistance in providing all necessary documentation for our review so promptly at the financial year-end.

Consequently, we have completed and signed the year's 'Internal Audit Report', having concluded that, in all significant respects, the control objectives set out in the Report have been achieved throughout the financial year to a standard adequate to meet the needs of the Council. The only exception is the absence of a risk review during 2021-22, which unfortunately needs to be recorded as a negative in Assertion 5, Section 1 of the 2021-22 AGAR.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Clerk maintains the Council's accounting records in spreadsheet format, which is perfectly adequate in view of the small number of annual transactions: we are also pleased to note the use of appropriate columnar analysis to assist in budget monitoring and production of information for inclusion in the Council's AGAR.

Two bank accounts are currently in operation with HSBC. We have verified the spreadsheet detail for the full financial year to both Current and Deposit bank account statements, also verifying the accuracy of the brought forward balances as at 1 April 2021 to the prior year closing balances. Finally, in this area, we have checked and verified the bank reconciliation as at 31 March 2022 and ensured the accurate disclosure of the year-end balance in the AGAR at Section 2, Box 8.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

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

We are pleased to note that the Council formally revised its Standing Orders (SOs) and Financial Regulations (FRs) based upon NALC model documents and adopted these at the May 2021 meeting of the Full Council. We note, however, that the tendering limits in both documents have been left at the default figure of £25,000. We would suggest to Council that these figures be reduced to a more appropriate figure (£5,000 has been used in previous years), to make them more applicable to the size and activities of the Council.

We have examined 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, also ensuring that, as far as we may be reasonably expected to ascertain, no actions / decisions of an unlawful nature have occurred or may be being considered.

We note that the Council launched its new website during the year, which we believe meets all requirements of the Transparency Code.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation, other than our observation about tendering limits.

Review of Payments

We have reviewed 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. Reclaims are submitted to HMRC on an annual basis, given the relatively small sum involved. This takes place in the following financial year;
- The Council approve all payments due at each meeting;
- 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.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

Assessment and Management of Risk

We note that the Council has not undertaken a review of its Corporate Risk Register during the financial year, as required by Financial Regulations. This needs to be reflected in Section 1 of the 2021-22 AGAR.

The Council is currently insured with Zurich up to 31 May 2022. We have reviewed the content of the 2021-22 insurance schedule and consider that it is appropriate for the Council's current needs with Employer's Liability in place at £10 million, Public Liability of £12 million, and sufficient cover for identified Assets.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation, other than the lack of a risk review during the year.

Budgetary Control and Reserves

The Council's Minutes, together with the supporting papers, indicate that Councillors have undertaken a robust Budget setting and Precept determination process and have approved the 2022-23 budget and Precept, setting the latter at £4,500 at the November 2021 meeting of the Full Council.

We note that members are routinely provided with budgetary performance information at each Council meeting, together with bank reconciliation detail.

Both General and Earmarked Reserves were considered at the November 2021 meeting. The General Reserve has been set at £2,000, and Earmarked Reserves at £2.800, which is comfortably within the total of existing balances and the approved Precept.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

Review of Income

The Council receives, in addition to the annual precept, limited income from bank interest, occasional grants and donations and recoverable VAT. We have checked and agreed detail of all income recorded in the cashbook to supporting bank statements and other available documentation for the financial year with no issues arising.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

Petty Cash Account

The Council does not operate any form of petty cash account or float, with any out-of-pocket expenses incurred reclaimed and paid accordingly in line with normal trader payment procedures. Resultantly, there are no issues arising in this area of our review warranting formal comment or recommendation.

Salaries and Wages

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 HMRC legislation relating to the deduction and payment over of income tax and NI contributions, noting that the Clerk, who is the sole employee of the council, has opted out of the Council's pension scheme.

The Clerk continues to prepare the payroll using the HMRC bespoke Basic PAYE Tools software: we have test-checked salary records ensuring that the appropriate tax allowances have been applied.

We note that the recent (March 2022) pay award has been processed within the financial year. While this was approved by the Chair, it should be formally minuted by Council in due course.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation, other than the observation about formal approval of the pay award.

Asset Registers

The Council continues to maintain and review a comprehensive Asset Register that meets the requirements of Financial Regulations. This was most recently approved in May 2021. All identified assets are properly valued at either original cost price or a nominal £1 in accordance with Government Accounting requirements. The identified assets are due for physical inspection on an annual basis, but there is no record that this was undertaken during 2021/22.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation, other than the lack of a physical review during 2021/22.

Investments and Loans

The Council has no funds in investments. No loans are in existence either repayable by or to the Council.

Statement of Accounts and AGAR

We have reviewed the content of the financial data reported at Section 2 of the year's AGAR agreeing it to the underlying financial records.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

Action Plan

Rec. No.	Recommendation	Response
No recommendations made		