

Yatton Parish Council

Internal Audit Report 2021-22 (Final update)

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Background

Statute requires all town and parish councils to arrange for an independent Internal Audit (IA) examination of their accounting records and systems 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 2021-22 financial year, during our two review visits on 15th December 2021 and 6th May 2022. We wish to thank the Clerk and Finance Assistant for their assistance in providing all necessary documentation in either hard copy or electronic format to facilitate commencement of our review for the year.

Internal Audit Approach

In undertaking our review, we have again had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover is designed to afford 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 'IA Certificate' in the Council's AGAR, which requires independent assurance over a series of internal control objectives.

Overall Conclusion

We are again pleased to conclude that, based on the work undertaken to date, the Council's officers continue to maintain adequate and effective internal control arrangements, with no issues identified warranting formal comment or recommendation.

We again wish to express our appreciation to the Clerk and Finance Assistant for the clear way the accounting and other records continue to be maintained. We have duly completed and signed the 'IA Certificate' in the year's AGAR assigning positive assurances in each relevant area.

We do, however, wish to draw the Clerk's attention to the guidance notes in the preface to the year's AGAR in relation to the documentation that must be displayed on the Council's website together with the need to ensure compliance with the timing requirements for publication of the Notice of Public Rights to examine the Council's documentation for the financial year.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Council uses the Omega accounting software to maintain its financial and management accounting records with four bank accounts in operation with Lloyds TSB (Current, Deposit and Cadbury Hill Current and Deposit – the last being opened during 2021-22), together with quarterly term deposits, also with Lloyds TSB. Detail of transactions on each of the bank accounts, including the term deposits, is recorded in separate cashbooks within the accounting software, together with a separate cashbook account to record petty cash transactions.

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: consequently, we have -

- Agreed the opening trial balance detail with that in the 2020-21 Statement of Accounts and certified AGAR for the year;
- Checked that the ledger remains “in balance” at the financial year-end;
- Ensured that the cost and expenditure coding structure remain appropriate for the Council’s reporting needs;
- Checked detail of transactions on the Current account for five months (April, July and November 2021, plus January and March 2022) agreeing detail to the underlying bank statements;
- Verified the full financial year transactions on the Lloyds Deposit and two Cadbury Hill accounts;
- Verified detail of the Lloyds term deposits placed in the year to date to the bank’s confirmatory documentation;
- Verified the accuracy of bank reconciliations on each cashbook as at 30th April, 31st July and 30th November 2021, plus 31st January and March 2022 ensuring that no long-standing uncleared cheques or other potentially anomalous entries exist;
- Examined the controls in place over the independent review and “sign-off” of bank reconciliations; and
- Ensured the accurate disclosure of the combined year-end cash and bank balances in the year’s AGAR at Section 2, Box 8.

We are also pleased to acknowledge the existence of clear evidence of member involvement in the regular scrutiny, agreement and sign-off of bank reconciliations during the year, as required by the adopted Financial Regulations (para 2.2 refers).

Conclusions

We are pleased to record that no issues have been identified in this area of our review process warranting formal comment or recommendation currently.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust series of corporate governance policies, procedures and documentation in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we are reasonably able to ascertain as we do not attend Council or Committee meetings, no actions of a potentially unlawful nature have been or are being considered for implementation that may adversely affect the Council's financial standing or result in a legal challenge.

We note that the Council had undertaken a further review of both SOs and Financial Regulations (FRs) re-adopting them in December 2021, both being in line with the latest NALC model documents.

We have continued our review of the Council's and Standing Committees' minutes reading those for the financial year and to date in 2022-23 as posted on the website to establish whether any issues exist that may have an adverse effect through litigation or other causes on the Council's current or future financial stability.

We noted in our interim report that the external auditors signed-off the 2020-21 AGAR with one residual issue, of which the clerk was fully aware and has been addressed when closing down the 2021-22 Accounts and preparing the year's AGAR financial information.

Conclusions

No concerns or issues warranting formal comment have been identified in this area of our review process. We shall continue to monitor the Council's approach to governance, also continuing our review of minutes, at future visits and report our conclusions accordingly.

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Appropriate documentation supports payments, 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;
- 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 again examined the controls in place over the placement of orders, receipt and approval of invoices for payment and release of relevant funds to traders, etc. noting the continued use of a stamp on each invoice for authorisation of payments, etc and consider the procedures to be sound, with members continuing to indicate their review of each invoice as and when they sign cheques or approve payment by BACS or Direct Debit.

We have extended our selection of purchase invoices for review with a total sample of 40 individual payments in the year identified for scrutiny including all those greater than £1,000 plus every 20th payment to ensure compliance with the above criteria. Our test sample totals

£77,925 equating to 53% by value of non-pay related expenditure in the financial year. We are pleased to confirm that no issues arise from this work with the above criteria met accordingly in each case.

We have reviewed and agreed the value of VAT reclaims prepared, submitted to and repaid by HMRC during the financial year, also noting that the final quarter's reclaim was repaid in full at the end of April 2022.

Conclusions

We are pleased to record that no issues have been identified in this area warranting formal comment or recommendation with the above criteria met appropriately for all payments in our test sample.

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 to minimise the opportunity for their coming to fruition.

We have examined the Council's insurance policy arranged through WPS Council Guard to ensure that appropriate cover remains in place for the current year, noting that Employer's and Public Liability cover are set at £10 million and £15 million respectively, with Hirer's Liability at £2 million and Fidelity Guarantee cover at £0.5 million, all of which we consider appropriate for the Council's present requirements.

We note that the Council has undertaken a further review of its assessed risks formally re-adopting the documentation at the February 2022 meeting of the Finance, Personnel & Admin Committee.

We have also previously discussed with the Clerk the Council's approach to the inspection of play areas and sports grounds noting that regular weekly reviews are undertaken by the Council's staff with results formally recorded and retained in the office. We also note that an annual formal review is undertaken by RoSPA with results presented to Council for consideration of the appropriate action that is needed to address them.

Conclusions

We are pleased to report that no issues arise in this area warranting formal comment or recommendation. We shall continue to monitor the Council's approach to risk management at future visits also ensuring the formal review and re-adoption of the financial risk register prior to the current financial year-end.

Budgetary Control & Reserves

Our objective here is to ensure that the Council has robust procedures in place for identifying and approving its future budgetary requirements and the level of precept to be drawn down. Also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing

spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

We are pleased to note that the Council has, following due deliberation, agreed, approved and formally adopted a budget and precept for 2022-23 setting the latter at £238,154 at the January 2022 full Council meeting.

We also note that the Finance Assistant continues to prepare periodic budget monitoring reports for submission to members at the Finance, Personnel and Administration Committee meetings and have reviewed the year-end outturn with no unexplained or unanticipated variances noted warranting further enquiry.

We have as in previous years considered the ongoing appropriateness of retained reserves noting that, as at 31st March 2022, the General Reserve (GR) balance stands at £98,288, including the Contingency Fund Earmarked Reserve (EMR) of £60,000 (£109,758 as at 31st March 2021). Additional EMR balances totalling £93,422 (109,342 at the prior year-end) are in place. The GR balance, including the Contingency Fund, equates to approximately 4½ months' revenue expenditure and is considered appropriate for the Council's current requirements.

Conclusions

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

Review of Income

The Council receives income, in addition to the annual precept, primarily by way of burial and associated fees, allotment rents (including the new allotment site in 2021-22), hire fees arising from use of Hangstones Pavilion and sports field.

Our aim here is to ensure that, as far as we may reasonably be expected to determine, all income due to the Council is identified and recovered within a reasonable space of time and that the Council is receiving value for money by way of its periodic "investment" of surplus funds.

At our interim review visit, we examined a sample of 10 burials, as recorded in the official Burial Register, occurring since 1st September 2021, checking to ensure that all were supported by appropriate undertakers' applications and the legally required burial / cremation certificates and that the fees charged were correct and in accordance with the approved scale of fees and charges with appropriate invoices raised in each case.

We also, at the interim review, examined the two spreadsheet records of allotment tenants noting that only a few tenants on the new allotment site had still to pay their rent – these have been received subsequently prior to the financial year-end together with a number of 2022-23 rents received prior to the financial year-end: these have been duly accounted for as receipts in advance in collating the year's financial information for the AGAR.

Covid again impacted on the level of hires occurring at Hangstones Pavilion in the early stages of the year, although we now note that the pavilion is being again used regularly. Consequently, we have examined a week's hires commencing 17th January 2022 ensuring that appropriately

priced invoices have been raised for each hire in accordance with the approved scale of fees and charges.

We have also examined the “Unpaid Debts report” generated by the Sales Ledger software as at 31st March 2022 and are pleased to note that no long-standing invoices remain unpaid.

Conclusions

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

Petty Cash Account

We are required, as part of the AGAR IA Certification process, to review and verify the soundness of controls over the operation of a Council’s petty cash account. We again note that, in addition to the recording of transactions in a separate Omega cashbook, a handwritten cashbook is also maintained.

We have, in view of their low volume, ensured that each payment in the financial year to date is supported by an appropriate trade invoice, till receipt or signed petty cash voucher acknowledging receipt and till receipt or invoice with all appropriately supported. We have also checked the physical cash holding at the time of this review visit ensuring and confirming that it is in line with the supporting handwritten record and Omega cashbook.

Conclusions

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

Review of Staff Salaries

In examining the Council’s payroll function, we aim to confirm that extant legislation is being appropriately observed relating to the Employee Rights Act 1998 and the requirements of HMRC legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme, as regards revised employee contribution bandings. To meet the above objectives, we have, by reference to the November 2021 payslips and Clerk’s record of approved NJC Spinal Column Points for each staff member: -

- Ensured that the Council reviews and approves pay scales for staff annually, noting that where changes in staff employment terms occur (i.e., changes in contracted hours of point on the NJC scale), detail is minuted appropriately;
- Noted that the monthly payroll continues to be prepared “in-house” using Earnie payroll software;
- Checked and agreed detail of gross salaries paid, together with arrears in the above month;
- Verified that individuals’ pension deductions, where applicable, have been accurately computed in line with the national approved percentages;

- Ensured that tax and NI deductions have been made applying the appropriate tax code and NI Table in the same month by reference to the appropriate tax and NI tables; and
- Verified the physical net amounts paid to staff, HMRC and the Pension Fund Administrators for November 2021.

Conclusions

We are pleased to record that no matters have been identified in this area warranting formal comment or recommendation. We also note that due to the timing of meetings the finally agreed 2021-22 national pay award was not implemented until April 2022.

Fixed Asset Registers

The Practitioner's Guid requires councils to establish and maintain a register of its stock of "fixed" assets: we are pleased to note that the register, which has been in place for several years has been updated to reflect the cost of the new additions, and any disposals during 2021-22 at cost price with the value duly reported in the year's AGAR at Section 2, Box 9.

Several of our clients have also developed photographic records of their stock of outside equipment (bus shelters, seats, play equipment, etc.) which we consider an example of best practice as it affords a means of verifying the physical condition of such equipment in the event that it is damaged accidentally or wilfully and has proven of assistance in progressing insurance reclaims should any such damage occur warranting an insurance claim.

Conclusions and recommendation

No significant concerns arise in this area although we suggest that consideration be given to the development of a photographic register of outside equipment and potentially attractive office equipment: we do, however, acknowledge that the RoSPA annual inspection reports generally include photographic evidence of the state of play equipment

R1. Consideration should be given to the development of a more formalised photographic register of outside equipment and potentially attractive (to a thief) office equipment and furniture.

Investments and Loans

In this area of our review, we seek to confirm that the Council is utilising its available resources to best effect and is maximising its interest earning potential. We are pleased to note that the Council continues to "invest" surplus funds in periodic "term deposits" with Lloyds TSB and have verified detail of the deposits arranged for the financial year to date to the bank's third-party confirmation notices, also ensuring that interest arising on those deposits reaching maturity in the year has been received and deposited appropriately into the Council's accounts.

We have noted previously that the Council has complied with the requirements of the statutory guidance on Local Government Investments adopting an appropriate Investment Strategy.

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

Conclusions

No issues arise in this area warranting formal comment, although we suggest that the Council continues to monitor the level of interest income being received, endeavouring to maximise that interest in accordance with the approved Investment Strategy which has recently been re-adopted by the Council.

Whilst accepting the improbability of Lloyds Bank being allowed to “fail”, we again also urge that the Council considers further investment opportunities bearing in mind that should Lloyds “fail”, the Government Compensation Scheme only affords protection for the first £85,000 on deposit with any one bank.

Statement of Accounts and AGAR

The AGAR now forms the statutory Accounts of the Council, subject to external audit scrutiny and certification. The Omega accounting software generates a Balance Sheet and the Income and Expenditure (I&E) Account, detail of which we have scrutinised for consistency with the year’s detailed accounting transactions and records. We have also reviewed and verified the content of the AGAR by reference to those two documents and other supporting records.

Conclusions

No matters arise from our work in this area warranting formal comment or recommendation and, based on the satisfactory conclusions drawn from our work programme during the year, we have duly signed off the IA Certificate in the Council’s AGAR assigning positive assurances in all relevant areas.

We have also reviewed the limited transactions on the Cadbury Hill accounts agreeing detail to all relevant supporting documentation and duly signed off the 2021-22 Statement of Accounts having agreed a number of adjustments and clarification of detail in the format of the detailed Statement.

Rec. No.	Recommendation	Response
Fixed Asset Register		
R1	Consideration should be given to the development of a more formalised photographic register of outside equipment and potentially attractive (to a thief) office equipment and furniture.	