

Horningsham Parish Council

Internal Audit Report 2019-20

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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 Annual Return.

This report sets out the work undertaken in relation to the 2019-20 financial year, which took place on the 20th April 2020.

Internal Audit Approach

The 2019-20 Year End Internal audit has been undertaken remotely due to the Covid-19 virus situation and in accordance with Government advice. All files and supporting document required to complete the audit have been supplied, as requested, electronically.

In undertaking our review for the year, we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts / Annual Return. Our programme of cover is designed to afford appropriate assurance that the Council has appropriate and robust financial systems in place that 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 Annual Governance and Accountability Return (AGAR) process, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

Based on the satisfactory completion of our programme of work for the year, we have concluded that the Council has, again maintained adequate and effective internal control arrangements. We are pleased to report that there are no issues arising this year warranting formal comment and none warranting any recommendation.

We understand that the last few months of the 2019-20 financial year have been challenging for all councils, with their day to day operational and administrative functions. We take this opportunity to acknowledge the exemplary quality of records maintained by the Clerk. We thank her for her assistance during the Internal audit which has ensured the smooth and successful progress of our review process.

We have completed and signed the 'Internal Audit Report', having concluded that the control objectives set out in that Report have been achieved within the financial year to a standard adequate to meet the needs of the Council.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Clerk has maintained the Council's accounting records using Excel spreadsheets, which we consider generally adequate in view of the number of annual transactions. The Council maintained one bank account with the Unity Trust Bank with all payments being made electronically.

We have checked and agreed the spreadsheet detail in full to the relevant statements for the full financial year, also verifying the accuracy of the year-end cashbook / bank reconciliation ensuring that no long-standing uncleared cheques or other anomalous entries exist. We have consequently verified the accurate disclosure of the year-end balance in the Annual Return.

Conclusion

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

Review of Corporate Governance

We have examined the content of the Standing Orders (SOs) and Financial Regulations (FRs), both of which have been reviewed and were re-adopted formally at the meeting of the Full Council in May 2019, with the Financial Regulations being further revised to conform to the new NALC model document standards and subsequently readopted in the October 2019 meeting of the Full Council under Minute reference 19/156. We have examined the content of the extant SOs and FRs and consider them appropriate for the Council's present needs.

We have completed our review the Council's minutes for the current year to determine whether any issues exist that may have either a legal or financial impact on the Council and its future financial stability and are pleased to record that no such items appear to exist at present. Noting that the General Power of Competence was readopted at the meeting of the Full Council in May 2018.

We note that the Council received a Qualified External Auditor's report for the 2018-19 Financial Year.

Finally, in this area of our review, we note that one large quotation process was undertaken during the financial year. The quotation, in relation to the award of the Grounds Maintenance contract, was properly managed in accordance with the Council's Standing Orders and Financial Regulations.

Conclusion

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

Review of Payments

We have examined the controls in place over the approval of payments for release and consider them sound.

As a result of the need to conduct this year's audit remotely, and in light of the Council's full compliance in previous year's Internal Audits, we have sampled payments made during the year: Every sixth invoice irrespective of value and every invoice in excess of £750.00 to ensure that the following criteria were met: -

- Payments were supported by a trade invoice or acknowledgement of receipt;
- VAT has been calculated correctly and is recovered at appropriate intervals;
- The members at a Council meeting approved each payment;
- There was clear evidence of approval by members on each payment document;
- 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.

Conclusion

We note that two duplicate payments of £20.39 (£40.78) pertaining to the Council's website were made in error. The Clerk actioned a credit to recover this amount on the 6th April 2019.

There are no issues which arise in this area of our review warranting recommendation.

Assessment and Management of Risk

We note that the Council reviewed and formally re-adopted its Risk Assessment documentation for the financial year during the September meeting of the Full Council, recorded under Minute reference 19/100.

The Council's insurance cover for FY 2019-20 was arranged by Came & Co., and underwritten by Axa on a three-year deal concluding in the 2020-21 financial year. We note that the policy was amended during the year to add an insured sum of £27,440, in relation to the new Play area equipment, to the Insurance Policy effective from the 12st March 2019.

A new category: 'Playground Equipment' has been added to the policy incurring an annual additional premium due of £43.12 including Insurance Premium Tax (IPT) which has increased the future annual premium to £332.33 including IPT.

We have examined the insurance schedule for the 2019 financial year with Public and Employer's Liability cover both in place at £10 million, Hirers liability at £5 million, Terrorist attack £2 million, Safety Legislation £1 million, Officials indemnity at £500,000, Liable & Slander at £500k Data Protection £500K and Employee dishonesty at £150K, all of which we consider appropriate for the Council's present needs.

Finally, in this area of our review we note that the new Playground, although currently closed due to current Government guidance concerning the Covid-19 virus situation, was opened during the financial year.

We note that a detailed Playground management policy, associated Risk Analyses, Inspection forms and inspection and reporting protocols are in place, with a Council Member undertaking

weekly inspections. We further note that RoSPA approved and certified company, Playsafety Ltd has been appointed to undertake the Annual Independent Inspections that will be required from the first and subsequent annual anniversaries of the Playground's installation date.

Conclusion

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

Budgetary Control and Reserves

The Council's minutes, together with the supporting papers provided to Council indicate that members undertook a robust Budget setting and Precept determination process, and considered and approved the 2020-21 Budget and Precept, setting the latter at £15,677 (£15,303 prior year) in the January 2019 meeting of the Full Council under Minute reference 19/225. We are also pleased to note that Councillors continue to receive regular income and expenditure reports along with the bank balance detail at each meeting.

Overall reserves as at 31st March 2020 have decreased significantly to £18,815 (£44,241 prior year) with Earmarked reserves of £4,193.87 leaving a General Reserve fund of £14,619, which equates approximately 3.3 months' revenue spending at the 2019-20 level, sitting only slightly above the generally recognised CiPFA guideline of retaining between three and six months' revenue expenditure.

Conclusion

The marked decrease in the level of reserve is explained by the delay in the completion and billing of the works in relation to the Playground at Horningsham Village Hall due to the adverse Winter weather conditions experienced during February/March 2018 which delayed the project and subsequent billing. The final invoice in the amount of £32,928.02 was not received until the beginning of FY 2019-20, significantly distorting the level of retained reserve reported in the 2018-19 AGAR.

Resultantly, there are no issues arising in this area of our review warranting recommendation.

Review of Income

The Council receives only limited income, mainly from the annual precept, Council Tax Support Grant and VAT recovered. We have reviewed all available supporting documentation agreeing detail to the cashbooks and the Council's Year End Bank reconciliation.

Conclusion

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

Petty Cash Account

The Council's policy is not to maintain any form of cash float with any out-of-pocket expenses incurred reclaimed and paid 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

We have, as in previous years, checked the basis of the clerk's salary payments for the year, together with relevant tax deductions, which are paid over to HMRC accordingly with no issues identified.

We note that the Clerk received a formal appraisal during the Budget setting and Precept determination process and resultantly was awarded one additional scale point increment to SCP 25, for the 2019-20 financial year, effective from the 1st April 2019.

Conclusion

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

Fixed Asset Register

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We are pleased to note compliance with this requirement, the Clerk maintaining an appropriate register with values identified both at cost price, or where unknown, at the best approximation thereto, together with the annually uplifted insurance value to assist with budgetary planning for future replacements.

We note that the Asset Register was reviewed during the 2019-20 financial year and was Approved during the Annual Meeting of the Parish Council in May 2019, under Minute reference 19/028, with a revised value of £31,777 which has been correctly reported in the Annual Return at Box 9 of Section 2.

The increase is in relation to the inclusion of the new Playground equipment and a memorial bench on the Fixed Asset Register.

Conclusion

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

Investments and Loans

It is noted that council continues to maintain a single current account with the Unity Trust Bank. There are no surplus funds available for investments.

The Council has no loans either repayable by, or to it, as at the 31st March 2020.

Conclusion

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

Statement of Accounts and Annual Governance and Accountability Return

The Accounts and Audit Regulations, as amended periodically, require all councils to prepare annually a Statement of Accounts, which is now in the form of the Annual Governance and Accountability Return at Section 2, which is, together with the Annual Governance Statement at Section 1, subject to independent external audit examination and certification.

As part of our review process, we have examined the Council's procedures in relation to the identification of detail for inclusion in Section 2 of the Return, which is produced using Microsoft Excel spreadsheets, and used by the Clerk & RFO to provide the accounting statements. We have agreed detail therein to Section 2 of the 2019-20 Annual Governance and Accountability Return.

Conclusions

We are pleased to record that no issues arise in this area and, on the basis of the work undertaken during the course of our review for the year, we have "signed off" the Internal Audit Report in the year's Annual Governance and Accountability Return assigning positive assurances in all areas.