AUDITING SOLUTIONS LTD

Long Wittenham Parish Council

Internal Audit Report 2021-22

Prepared by Sally King

For and on behalf of
Auditing Solutions Ltd

Background

The Accounts and Audit Regulations introduced from 1st April 2001 require all Town and Parish Councils to implement an independent internal audit 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). The Council complied accordingly, in terms of independence from the Council decision making process, currently appointing Auditing Solutions Limited to provide the function to the Council.

This report records detail of the work undertaken in respect of the 2021-22 financial year which we finalised in our office on 6th June 2022.

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/Annual Return. We have employed a combination of selective sampling techniques (where appropriate) and 100% detailed checks to gain sufficient assurance that the Council's financial and regulatory systems and controls are appropriate and fit for the purposes intended.

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 'Annual Internal Audit Report' in the Council's AGAR, which requires independent assurance over several internal control objectives.

Overall Conclusion

We have concluded that, based on the satisfactory completion of our programme of work undertaken during our visit, the Council has maintained generally adequate and effective internal control arrangements. We are pleased to acknowledge the quality of records maintained by the Clerk and RFO and thank them for their assistance.

We have completed and signed the 'Internal Audit Report' in the year's AGAR having concluded that, in all significant respects, 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

Maintenance of Accounting Records & Bank Reconciliations

The Responsible Financial Officer has continued to maintain the Council's accounting records for the year in spreadsheet format with full use made of analysis columns to provide the necessary totals for inclusion in the Council's detailed Statement of Accounts, which has also again been prepared on an Accrual and Prepayment basis.

The Council maintains one bank account being a Lloyds Bank Treasurers Bank Account.

Our objective has been to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. We have:

- Checked and agreed the opening balance with the 2020-21 closing Statement of Accounts as per the certified AGAR detail.
- Ensured that a full and effective account analysis structure is in place and is appropriate for purpose.
- Checked and agreed details of transactions in the spreadsheet to the Lloyds Bank statements for the whole of the 2021-22 financial year.
- Checked that regular bank reconciliations are prepared.
- Verified the accuracy of detail in the bank reconciliation as of 31st March 2022 ensuring that no long-standing uncleared cheques or other anomalous entries exist; and,
- Noted that all documents are stored on a Cloud Server (Dropbox) which undertakes its own backups.

Conclusions

We are pleased to report that no issues have been identified in this area of our review process warranting formal comment or recommendation. We have ensured the accuracy of the closing balances as declared in the AGAR.

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, as far as we can 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. We have in this regard: -

- Noted that both Standing Orders and Financial Regulations were approved by Council at their meeting on 13th May 2021 (minute ref 2021/81).
- Examined the minutes of meetings of the Full Council for the year to identify whether any issues arise that may have an adverse effect on the Council's future financial stability with no issues arising.

- Further noted that the Council has readopted the General Power of Competence at their meeting held in May 2021 (minute ref 2021/82).
- We have reviewed the external auditor's report, issued since our last visit, to confirm they are raising no matters regarding the Councils accounts and governance, noting the comment regarding "proper opportunity for the exercise of public rights" for the previous year.

We thank the Chairman for completing our "Corporate Governance Questionnaire", which has provided us with further assurance as to the soundness of the Council's overall governance arrangements.

Conclusions and recommendations

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

Review of Payments

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets.
- Payments are supported by appropriate documentation, 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.
- Members have met their fiduciary duties approving release of each payment in accordance with extant legislation.
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount.
- The current expense category has been applied to invoices when processed; and
- VAT has been appropriately identified for periodic recovery.

Due to the low number of transactions for the year, we have examined all transactions in the cash book to ensure compliance with the above criteria and are pleased to record that no issues have been identified with all the criteria duly met.

We note that VAT has been reclaimed from HMRC for 2020-21, the amount of £3098.38 being received on 15th April 2021. We further note that the reclaim for 2021-22 has been calculated at £3,928.63 and submitted to HMR&C.

Conclusions

We are pleased to record that no significant issues arise in this area of our review process warranting formal comment or recommendation.

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 identified and to minimise the opportunity for their coming to fruition. We have:

- Noted that Council formally reviewed and approved their Risk Assessment at their meeting on 13th May 2021 (minute ref 2021/81).
- Examined the Council's current insurance policy with Local Councils through BHIB Insurance Brokers, with cover being provided to 7th October 2022, to ensure that appropriate cover is in place, noting that Public and Employers Liability cover is £10m and that Fidelity Guarantee cover is £500k.
- Noted that the various amenities owned by the Council are inspected on a regular basis, these inspections being recorded and minuted with further inspections being carried out by a RoSPA certified company.

Conclusions

We are pleased to record that no significant issues arise in this area of our review process warranting formal comment or recommendation.

Budgetary Control and Reserves

We aim in this area of our work to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount to be precepted on the District Council, that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans. To meet this objective, we have:

- Noted from our review of the minutes that members continue to be provided with regular management accounting information, based on reports generated from the spreadsheet accounting system.
- The Council formally considered its budgetary and precept requirements for 2022-23 at on 9th December 2021 (minute ref 2021/205).
- Considered the appropriateness of the level of general reserves to meet the Council's ongoing revenue spending requirements noting that reserves at the year-end total £22,013 of which £10,029 relates to the Neighbourhood Plan reserve and £2,000 for the Athletic club for planned improvements to the pavilion. The balance of £9,984 equates to between just under four months average revenue expenditure which is within the generally accepted guideline of between three- and six-months' average.
- Reviewed the year-end budget outturn for any significant unexplained variances with none in evidence.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

Review of Income

The Council receives income from the precept, recoverable VAT, Neighbourhood Plan, and miscellaneous receipts (allotment subs, grants/donations and, in a normal year, refund for fireworks). We have again verified detail of these transactions for the year through the bank account and to other supporting documentation, where available.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process 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 the Responsible Financial Officer in connection with their work for the Council being reclaimed periodically, these payments being subject to the same internal control and approval procedures as all other supplier payments.

Review of Salaries

In examining the Council's payroll function, we aim to confirm that existing legislation is being appropriately observed as regards adherence to the requirements of HMRC with regard to the deduction and payment over of income tax and NI contributions. To meet this objective, we have:

- Reviewed the Council's payroll preparation procedures noting that salaries are calculated by the Responsible Financial Officer utilising the HMR&C PAYE Tools software.
- Noted that the Responsible Financial Officer is paid a set amount (plus out of pocket expenses) which he invoices to the Council on a regular basis.
- Ensured that PAYE & NIC deductions (where applicable) have been made accurately by reference to the HMRC Basic PAYE Tools software; and
- Ensured that the appropriate month's deductions and contributions (where applicable) have been paid over to HMR&C in a timely manner.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

Asset Registers

The Governance and Accountability Manual requires all councils to develop and maintain a register of assets identifying detail of all land, buildings, vehicles, furniture, and equipment owned by the Council.

We are pleased to note that the RFO had prepared a detailed asset register which has been updated in 2021-22 to include additions of a pump track and cordless hedge trimmer.

Conclusions
We are pleased to report that there are no significant issues arising in this area of our review process warranting formal comment or recommendation. We have ensured the appropriate recording of these assets in the AGAR.

Investments and Loans

Our objectives here are to ensure that the Council is "investing" surplus funds, be they held temporarily or on a longer term basis in appropriate banking and investment accounts; that an appropriate investment policy is in place; that the Council is obtaining the best rate of return on any such investments made; that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

We have confirmed that the Council holds no long-term investments requiring disclosure in the Statement of Accounts, nor are there any loans with external bodies in existence repayable by or to it.

Conclusions

We are pleased to report that there are no issues arising in this area of our review warranting formal comment or recommendation.

Statement of Accounts and AGAR

The 1996 Accounts and Audit Regulations required all Councils to prepare annually a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council's financial affairs.

We are pleased to note that the Responsible Financial Officer has produced a suitable Income and Expenditure Account supporting the detail in the AGAR, together with a Balance sheet and Supporting Statement and have agreed all detail on these records.

Conclusions

No issues have been identified in relation to the verification of detail in the Statement of Accounts and AGAR this year.

Based on our detailed work on the Council's systems of financial control and content of the detailed Statement of Accounts and that summarised detail set out in the AGAR, we have signed off the Internal Audit Report of the AGAR, assigning positive assurance in each relevant area.