

Thornborough 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 Governance and Accountability Return (AGAR).

This report sets out the work undertaken in relation to the 2019-20 financial year.

Internal Audit Approach

In undertaking the 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 and Annual Governance and Accountability Return (AGAR). 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' in the Council's AGAR process which requires independent assurance over several internal control objectives.

Overall Conclusion

We have concluded that, on the basis of the programme of work undertaken this year, the Council has again maintained more than adequate and effective internal control arrangements. We thank the Clerk for her assistance during our audit, which has ensured the smooth 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 Council has again used a spreadsheet to record detail of transactions during the year, which we consider appropriate given their relatively low volume. Two bank accounts continue in use with NatWest Bank plc.

- Reviewed the 2019-20 opening balance detail with that in the certified 2018-19 Statement of Accounts and Annual Return;
- We are pleased to note that the cashbook is routinely reconciled to bank statements and have checked and agreed the closing reconciliation as at 31st March 2019 to the bank statements.
- Noted that bank reconciliation are completed on a monthly basis
- Checked and tested detail in the cashbook against bank statements in respect of the Nat West Current and Business Reserve Accounts for the whole of the 2019-20 Financial year.
- Confirmed with the Clerk that the accounting system is backed up to an external hard drive.

Conclusions

We are pleased to report that there are no issues in this area of our review process warranting formal comment or recommendation. We have verified the accurate disclosure of year-end balances in the AGAR.

Review of Corporate Governance

Our objective is to ensure that the Council has robust corporate governance documentation and processes in place, and that, as far as we may reasonably be expected to ascertain (as we do not attend Council or Committee meetings) all meetings are conducted in accordance with the adopted Standing Orders and no actions of a potentially unlawful nature have been or are being considered for implementation.

We are pleased to note that both Standing Orders (SOs) and Financial Regulations (FRs) were subjected to scrutiny by the Council and re-adopted at the May 2019 meeting (minute refs 41/19 & 42/19 respectively).

We have examined the Council's minutes for the year to ensure that no legal or financial issues exist or are developing that may have an adverse effect on the Council's financial stability either currently or in the foreseeable future and are pleased to record that no such matters were identified.

We have reviewed the Council's website and are pleased to acknowledge compliance with the disclosure requirements of the Transparency Code. We also note that the external auditor's report, issued since our last visit, had no matters regarding the Councils accounts and governance.

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

Conclusions

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

Review of Expenditure

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, where no other form of invoice is available;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense analysis have been applied to invoices when processed; and
- VAT has been appropriately identified and recorded in such a manner to allow for its periodic recovery.

We have considered the Council's arrangements for the review, approval and authorisation of the release of funds in the year, noting that each online payment is subject to appropriate authorisation, scrutiny and approval by members at the monthly Council meetings. The Council moved from cheque payments to online banking in August 2019. All approved payments are recorded in the minutes.

To ensure compliance with the above criteria, we have examined a sample of 24 payments processed in the financial year. Our test sample provides a broad cross section of expenditure and traders' invoices totalling £38,800.02 and equates to 69% of total non-pay related expenditure.

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.

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 any risks identified in order to minimise the opportunity for their coming to fruition.

An appropriate Risk Register is in place, which was reviewed at the Council meeting in March 2019 minute ref.08/19 c). This was scheduled to be reviewed at May 2020 meeting, but has now been postponed due to the Covid-19 pandemic.

Axa to provides the Council with its insurance cover. Examination of the policy documents and schedule indicates that an appropriate level of cover exists for the Council's current needs with both Public and Employer's Liability stand at £10 million and Fidelity Guarantee cover set at £500,000.

We are pleased to note that a full inspection of the new playground equipment was completed when it was installed. An annual inspection is now undertaken by ROSPA.

Conclusions

We are pleased to report that no matters have arisen from this review area requiring 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 of the precept to be submitted to the parent Council and 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.

We note that members have again duly considered and agreed the budgetary and precept requirements for 2020-21, approving the latter at £19,158 at the November 2019 full Council meeting (minute Ref 14.5). This represents an increase of 3% from 2019-20.

We are again pleased to note that detailed lists of all receipts and payments continue to be provided to the monthly Council meetings with detail recorded in the minutes, together with the agreed presentation of periodic bank reconciliations.

Finally, we note that, as at 31st March 2020, total reserves stood at £9,896.02. This equates to slightly more than three months expenditure.

Conclusions

We are pleased to report that no matters have arisen from this review area requiring formal comment or recommendation.

Review of Income

The Council has relatively limited sources of income, primarily the annual precept and recovered VAT, supplemented by nominal allotment rentals, sports field lettings to local clubs and hire of the hall by Thornborough Pre-school.

We are pleased to note that, in accordance with the Council's FRs, charges for services were reviewed at the March 2019 meeting. The allotment rent was increased from £15 to £25 per year, minute ref 08/19 d) and the hire charges for Cricket Club remained the same as the previous year minute ref 08/19 e).

Due to the low levels of income generated by the allotments and sports field, we have verified the detail in the cashbook to bank statements and third party documentation in relation to the allotments with no issues arising.

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.

Petty Cash Account

The Council does not operate a petty cash account: the clerk reclaiming any out-of-pocket expenses as and when they are incurred.

Review of Staff Salaries

In examining the Council's payroll function, our objective is to confirm that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and National Insurance Contributions (NIC).

- The Clerk is the only employee, this appointment commenced 1st June 2019 for 12 hours per week.
- Noted that the payroll is processed by the Clerk using the HMR&C Basic PAYE Tools software; Payments are then made to the Clerk and HMRC by Bacs.

Conclusions

We are pleased to report that no matters arise 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 Clerk had prepared an asset register on an excel spreadsheet which has been updated to include addition of cricket equipment and other assets purchased in 2019/20. The Clerk and Council intend to undertake a full review of assets held once the Covid-19 restrictions are lifted.

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

The Council has no loans repayable either to or by it, nor are any funds held in long-term investments.

Conclusions

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

Statement of Accounts and AGAR

We have examined and verified the detailed Receipts and Payments account produced by the Clerk and the draft figures she had included in statutory Accounting Statements that the Council is required to complete (Section 2 of the AGAR).

Conclusions

No issues arise in this area this year and, based on the work undertaken during our review for the year, we have completed and signed the Annual Internal Audit Report in the AGAR, assigning positive assurances in each relevant area.