

Broad Town Parish Council

Internal Audit Report 2020-21

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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 2020-21 financial year. Due to the continuing impact of the Covid-19 pandemic, we have again undertaken our review for the year remotely: we wish to thank the Clerk for assisting the process, providing all necessary 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, obviously in the circumstances, reduced the volume of transactions examined, whilst still ensuring governance and financial controls remain effective.

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 AGAR. Our programme of cover has, as with all our clients, 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' in the Council's AGAR, which requires independent assurance over a number of internal control objectives.

Detail of the work undertaken on the Council's accounting and other records is set out in the following detailed report, together with those issues arising with recommendations further summarised in the appended Action Plan.

Overall Conclusions

We are pleased to note a considerable improvement in internal control and good governance by the Council in 2020-21. Therefore, we are happy to be able to issue an unqualified assurance, with only a few issues for the Council's consideration which we include in the attached Action Plan, which we would be grateful if the Council would consider and formally respond to in due course.

We note that the current Clerk is shortly due to leave the Council's employment, and would like to thank her for her help and assistance over recent audits.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in those records. We note that three bank accounts continue in operation with Lloyds Bank.

We note that the Clerk is continuing to maintain a cashbook on an Excel spreadsheet, which is entirely appropriate for a Council of this size.

We note that bank reconciliations are reported to each Council meeting.

Conclusions

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

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place that Council and Committee meetings are conducted in accordance with the adopted Standing Orders (SO's) and Financial Regulations (FR's) and that, as far as we are reasonably able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We also aim to ensure that appropriate policies, procedures and protocols are in place to prevent and provide a reasonable assurance of the detection of any fraudulent or corrupt activity.

We are pleased to note that the Council has readopted, SO's and FR's during the year, at the November and July 2020 meetings respectively. We note that last year the Council agreed to set its tendering levels at £10,000 in both documents, which better reflects the tendering needs of the Council. Unfortunately, the tendering level in FR11.1(h) is still set at £25,000, which is doubtless an oversight which should be corrected.

We have examined the Council's Minutes for the financial year to identify whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability and are pleased to record that no such issues arise in this respect.

Following the implementation of a new website, we are pleased to record that the Council is now fully compliant with the Transparency Code 2015, with a good range of information easily available for Public Inspection.

Conclusions and recommendation

R1. The Council must amend and reissue its Financial Regulations, changing the value at Paragraph 11.1(h) to £10,000.

Review of Payments and VAT

We have undertaken substantive testing of a range of payments made during the year to ensure that the following criteria were met:

- Payments are supported by a trade invoice or acknowledgement of receipt;
- Members are scrutinising all payments and evidencing their review accordingly;
- VAT has been calculated correctly and is recovered at appropriate intervals;
- The Council at a Council meeting approved each payment; and
- Payments have been correctly analysed in preparation of the year-end Statement of Accounts.

We are pleased to note that, despite the limitations caused by the pandemic, Councillors have continued to formally approve transactions via an emailed remittance.

We note that a VAT reclaim was submitted to and paid by HMRC covering the period to 31st March 2020. A balance of £1,441.46 remains on the cashbook to be reclaimed for 2020-21.

Conclusions

No matters have been identified in this area warranting further 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 / safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks in order to minimise the opportunity for their coming to fruition.

We are pleased to note that the Risk Register has been regularly reviewed by Council throughout the year, most recently in March 2021, which apply satisfies the requirements of Financial Regulations.

The Council's insurance is provided by Zurich with Employer's and Public Liability cover both in place at £10 million, together with Fidelity Guarantee cover at £25,000, all of which we consider appropriate for the Council's present requirements. However, we note that All Risk cover for assets is set at a total of £7,271 against a total in the Asset Register of £13,974.

Conclusions and recommendation

R2. The Council should review the level of insurance cover for its declared Assets to ensure that it is appropriate.

Precept Determination and Budgetary Control

We note that the Council properly considered its 2021/21 budget and precept deliberations at its January 2021 meeting, and set its Precept at £9,600.

We have again reviewed the level of retained reserves as at 31 March 2021, noting that they total £20,248 including an Earmarked Reserve for playground fencing totalling £1,200, and a further £10,049 is held in the Community Fund Account, leaving a General Reserve balance of £8,999. This equates to approximately 93% of the Precept, which is considerably in excess of the Council's target of 50% (6 months expenditure).

Conclusions and recommendations

R3. The Council should closely monitor the level and appropriateness of its balances and reserves.

Review of Income

The Council receives limited income primarily by way of the annual precept, small amounts of bank interest and recovered VAT, together with donations received into the Community Fund for specific projects. We have agreed a sample of receipts to bank statements and other available supporting documentation.

Conclusions

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

Petty Cash / Clerk's Out-of-pocket Expenses

The Council does not operate a petty cash account. Any out-of-pocket expenses are reimbursed under normal payments procedures.

Review of Staff Salaries

In examining the Council's payroll function, we aim to confirm that salary payments are in line with the Council approved pay rates and that extant legislation is being appropriately observed as regards adherence to the requirements of HMRC legislation in relation to the deduction and payment over of income tax and NI contributions.

We have test-checked salary payments to the Clerk, noting that payments are made against a timesheet approved by Councillors, and that the low level of payment does not currently attract HMRC deductions.

Conclusions

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

Fixed Asset Register

We are pleased to note the existence and maintenance of an appropriate Register, with all identified assets valued at original cost price or, if this is not available, a nominal £1. This satisfies the requirements of Government Accounting.

Conclusions

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

Investments and Loans

The Council holds no funds in investments, nor does it have any loans in place either repayable by or to it.

Statement of Accounts and AGAR

The AGAR forms the Council's Statutory Accounts subject to independent external audit examination and certification. We have now agreed the detail in the year's AGAR at Section 2.

Conclusions

No additional issues arise in this review area and, based on the work undertaken this year, we have duly signed off the Internal Audit Report in the AGAR, assigning positive assurances in each relevant area.

Rec. No	Recommendation	Response
R1	<i>(Corporate Governance)</i> The Council must amend and reissue its Financial Regulations, changing the value at Paragraph 11.1(h) to £10,000.	
R2	<i>(Management of Risk)</i> The Council should review the level of insurance cover for its declared Assets to ensure that it is appropriate.	
R3	<i>(Budgetary Control)</i> The Council should closely monitor the level and appropriateness of its balances and reserves.	