



Bray Parish Council

Internal Audit Report 2021-22 (Final update)

Stuart Pollard

Auditing Solutions Ltd

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 both at our offices in advance of and during our initial review visit to the Council on 9th December 2021 and remote review undertaken on 20th April 2022 due to a potential Covid infection. We thank the Clerk for providing all necessary information in a combination of electronic and hard copy format to assist in our completion of this final update review.

Internal Audit Approach

In undertaking our review, 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 / AGAR. Detail of the areas examined this year is set out in the following detailed report.

Our programme of cover is 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 'IA Certificate' in the Council's AGAR, which requires independent assurance over several internal control objectives.

Overall Conclusion

We have concluded that, based on the work undertaken this year, the Clerk and Council have operated adequate and effective internal control arrangements. We are pleased to record that we have identified no issues warranting formal comment or recommendation.

Based on the overall satisfactory conclusions drawn from our review for the year we have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

We also take this opportunity to remind the Clerk of the requirements of the guidance notes in the preface to the year's AGAR in relation to the documentation that should 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

Sage software is used to maintain the Council's accounting records with various bank accounts in place: two at Lloyds (Current & Deposit) and one each with the CCLA Deposit Fund, Nationwide Building Society and Unity Bank.

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 in the financial software with the closing detail contained in the 2020-21 Statement of Accounts and AGAR;
- Ensured that an appropriate nominal ledger income and expenditure coding structure remains in place;
- Checked and agreed detail on all account "cashbooks / nominal ledger detail" for the full financial year,
- Checked to ensure the accuracy of a sample of the combined account month-end bank reconciliations to 31st October 2021 plus those at 31st December 2021 and March 2022 by reference to the underlying bank statements; and
- Ensured the accurate disclosure of the combined account balances in the AGAR at Section 2, Box 8.

Conclusions and recommendation

We are pleased to note the continued review and sign-off of each month-end bank reconciliation for the year by the clerk and a nominated independent councillor in accordance with the Council's adopted Financial Regulations (FRs). We are also pleased to note that, following our previous recommendation, the month-end bank statements are also now being signed-off.

Review of Corporate Governance

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

We noted in our interim report that the Council reviewed and re-adopted both its SOs and FRs in May 2021, also noting that both are based on the NALC model documents including appropriate reference to the Public Contracts Regulations affecting procurement arrangements enacted in 2015 with a formal tender limit of £25,000.

We have continued our review of the Council's minutes for 2021-22, examining those for the Full Council and the various Standing Committee meetings (with the exception of those relating to Planning issues) as either posted on the website or provided by the Clerk in hard copy format during the course of our reviews.

We again acknowledge the existence of a detailed procedural document entitled “Clerk’s idiot’s guide” and consider it to be an example of best practice and to remain appropriate for the Council’s present requirements.

We note that the external auditors signed-off the 2020-21 AGAR without qualification or comment.

Conclusions

We are pleased to record that no issues arise in this review area warranting formal comment or recommendation: we shall continue to review the Council’s approach to governance issues, also reviewing minutes at future reviews.

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council’s approved procedures and approved 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;
- That members are provided with and approve schedules of payments made; and
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount.

In last year’s report we drew attention to the fact that the Clerk was setting up and processing online payments effectively single-handedly: as recorded in our interim report, we noted that revised arrangements were enacted with members now undertaking the online physical release of payments.

To ensure compliance with the above criteria, we have selected an extended sample of documentation supporting payments processed in the financial year including all those in excess of £1,500, together with every 25th payment as recorded on the Current account transaction record / Sage code 1200. Our test sample includes 36 individual payments totalling £103,080 equating to 81% by value of all non-salary payments throughout the year.

We also note that VAT Returns continue to be compiled and submitted to HMRC quarterly through the Sage software for repayment: and have examined the content of the year’s last two reclaims at this final review with no issues arising.

Conclusions

We are pleased to record that no concerns exist in this review area.

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 in order to minimise the opportunity for their coming to fruition.

We note that the 2021-22 risk register was updated, reviewed and adopted by the Council in March 2021: a further review of the register ostensibly for 2022-23 was undertaken by the Finance Committee in March 2022 with a recommendation for its adoption by full Council at the next meeting. We have reviewed the content of both the earlier and latest registers and consider them appropriate for the Council's present needs.

We have also examined the Council's 2021-22 Zurich insurance policy, noting that Employer's Liability cover stands at £10 million, Public Liability at £12 million and Fidelity Guarantee at £500,000, together with a raft of insured items such as street furniture and other equipment: consequently, we consider that appropriate cover is in place; and

We again note that inspections of the Council Play Areas are conducted frequently by an external contractor with appropriate reports submitted to and retained by the Council. We are also pleased to note the positive action taken to address an urgent issue identified by the contractor with an appropriate schedule of works to be completed put in place.

Conclusions

We are pleased to record that no issues arise in this area: we shall continue to monitor the Council's approach to risk management at future visits.

Budgetary Control & Reserves

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and the level of precept to be drawn down from the Borough Council: 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.

We note that, after due deliberation, the 2022-23 budget and precept were agreed and formally adopted by Council at the January 2022 meeting, the latter being set at £204,350.

We are again pleased to note that members continue to be provided with regular budget reports, presented by the Clerk in spreadsheet format having "downloaded" the underlying data from the Sage accounting software: we have reviewed the year-end position, also considering variances in income and expenditure levels between 2020-21 and 2021-22, with no significant un-anticipated or unexplained variances arising: we thank the clerk for providing a clear narrative explaining the year-on-year variances.

We have reviewed the level of retained reserves at the financial year-end noting that they have increased marginally to £279,372 (£271,789 as at 31st March 2021), comprising EMRs totalling £220,813 (£222,236 at the prior year-end) with a residual General Reserve balance of £58,920 (£49,453 as at 31st March 2021), the latter equating to just over 3 months' revenue spending at the 2021-22 level, which sit comfortably within the generally accepted guidance of between 3 and 12 months' revenue spending.

Conclusions

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

Review of Income

The Council's principal sources of income, other than the Precept, arise from cemetery activity, allotment rents and tennis court hire fees, bank interest and occasional car parking and open space hire fees, together with quarterly VAT recoveries. Our objective is to ensure that robust procedures are in place to ensure that all income due to the Council is identified and invoiced (where applicable) appropriately with recovery effected within a reasonable time span.

We note that the Finance Committee reviewed cemetery and allotment fees with the full Council approving appropriate increases for the next financial year.

We reviewed the formal Burial Register at our interim visit examining documentation supporting the 5 interments occurring to that date in the year by reference to the underlying undertakers' applications and copies of the legally required burial / cremation certificates also ensuring that the appropriate fees have been charged and recovered with no issues arising. We also ensured that the appropriate fees were charged in relation to the 2 new headstones / memorials erected in the year and 3 sets of additional inscriptions.

We also examined a sample of 3 weeks' tennis court bookings, as recorded in the Clerk's diary record, ensuring that the appropriate fees had been charged and paid in each case with no issues arising.

We again note that, in response to the Covid situation, all tenants and hirers of Council facilities are now encouraged to pay their fees online with all but a very few now doing so.

Conclusions

We are pleased to report that no issues have been identified in this area of our review process.

Petty Cash Account

The Council does not operate a petty cash account: any "out-of-pocket" expenses incurred by officers or members are reimbursed through the normal suppliers' payments procedures.

Review of Salaries

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the requirements of HMRC legislation and payment over of income tax and NI contributions, together with LGPS deductions and contributions.

Two officers were in place at the time of our interim review, with the assistant resigning early in 2022 and a new clerk also being appointed, the former clerk continuing to work for the Council during the handover / probation period and into the 2022-23 financial year pending appointment of a new assistant.

We reviewed and verified the accuracy of the gross salaries paid to each officer in November 2021 at our interim review ensuring that the gross salaries were paid in accordance with their employment contracts, also noting the award of increments on the national NJC salary scales following the Council's staffing review.

The national 2021-22 pay award agreed by the unions in early March 2022 has been applied to the two staff in post with appropriate back pay from 1st April 2021 calculated, also arrears of pay being calculated and paid to the former assistant in March 2022.

We have checked and ensured the accuracy of tax and NI deductions for both months by reference to the relevant PAYE Tax Codes and National Insurance deduction tables and have also ensured that the LGPS percentage deductions applied have been made in accordance with the correct banding deduction rates for the year.

Finally in this area, we have ensured that the net salaries paid to staff, together with payments of tax, NI and LGPS deductions and Council contributions for November 2021 and March 2022 have been paid appropriately to the relevant agencies.

Conclusions

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

Fixed Asset Register

The AGAR requires disclosure of the value of assets retained by the Council as at 31st March annually. The Practitioner's Guide also requires councils to develop and maintain a register of all assets.

We again note the existence of a comprehensive register including items of an inventory nature. We have previously discussed the format of the register with the Clerk noting that it was previously not being maintained in accordance with The Practitioner Guide requirements with asset values "appreciated" annually to reflect changes in insured values. This was addressed appropriately in 2020-21.

We are pleased to note that the Clerk has again updated the register to record the value of new acquisitions and the few deletions / disposals in 2021-22. We have, consequently, confirmed the asset value to be reported in the 2021-22 AGAR.

Conclusions

We are pleased to record that no issues arise in this area this year.

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 institutions, 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 the relevant loan agreements.

As noted earlier in this report, we have checked and agreed all transactions on the various bank account Sage nominal transaction reports for the financial year, also ensuring that the interest earned has been recorded appropriately.

We are pleased to also note that the previously adopted Investment Policy has been reviewed and re-adopted by the Council: we have reviewed the document and consider it appropriate for the Council's present requirements.

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

Conclusions

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

Statement of Accounts / AGAR

We are pleased to note that, in line with good practice, the Clerk has again produced a detailed Income and Expenditure Account and Balance Sheet, together with Supporting Notes, for the 2021-22 financial year. We have examined the detail in these Accounts agreeing it to the year-end Sage Trial Balance and the asset register, also ensuring the accurate transfer of the detail to the year's AGAR.

Conclusions

No issues arise in this area warranting formal comment or recommendation: based on the overall satisfactory status of the Council's operative controls, we have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.