

Calne Without Parish Council

Internal Audit Report 2021-22

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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 AGAR.

This report sets out the work undertaken in relation to the 2021-22 financial year. We have again undertaken our review for the year remotely: we wish to thank the new 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 still maintained a valid level of transaction testing to support an opinion as to whether governance and financial controls remain effective.

Internal Audit Approach

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/AGAR. Our programme of cover has again been designed to afford appropriate assurance that the Council's financial systems remain 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', which requires independent assurance over specified internal control objectives.

Overall Conclusion

We have concluded that, on the basis of the programme of work undertaken this year, the Council has continued to maintain an adequate and effective internal control environment. We have found no issues of concern requiring recommendations for improvement, although we have made some observations on specific issues within this report. We would like to complement the Clerk, and the Council, on this result.

We have completed and signed the 'Internal Audit Report', having concluded that, in all 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 Reconciliation

The clerk maintains the Council's accounting records using a spreadsheet, which is considered more than adequate for the volume of annual transactions. It is in columnar form, with a separate column for VAT. Two bank accounts are in place for everyday operations, both with Lloyds Bank plc, with longer term savings accounts with Nationwide and Bath Building Societies.

We have test-checked cashbook entries to the bank statements for the financial year, also agreeing the year-end cashbook / bank statement reconciliation to ensure there were no anomalous items.

We are pleased to note that Councillors receive a Financial Report, including bank balances, at each meeting.

Conclusions

No issues arise in this area of review warranting formal comment or recommendation.

Review of Corporate Governance

We note that the Council's Standing Orders (SO) and Financial Regulations (FR) were reviewed and re-approved by the Council in October and November 2021 respectively. Further to our previous recommendations, we are pleased to note that the tendering levels in both documents are now set at £15,000, which we feel is more appropriate to the Council's current pattern of expenditure. However we note that these important policy documents are not in the current NALC Model Form, which runs the risk that important controls and legislative requirements may be missed. We have discussed this with the Clerk, who intends to place revised versions in front of Council at the July 2022 meeting.

We have continued our examination of the Council Minutes for the year to determine whether any issues exist that may have either a legal or financial impact on the Council and its future financial stability, whilst also ensuring that the Council has neither considered or is considering any actions that may result in ultra vires expenditure.

The requirements of the Transparency Code became mandatory for smaller councils from 1st April 2015. We are pleased to note that the Council fully meets the reporting requirements on its website.

Conclusions

No issues arise in this area of review warranting formal comment or recommendation, other than the updating of SO's and FR's to the latest NALC Model Form.

Review of Payments

We have tested a sample of payments made during the year 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 Council at a Council meeting approved each payment.
- Payments have been correctly analysed in preparation of the year-end Statement of Accounts.
- Section 137 payments have been identified in the cashbook and are within the Council's spending limit.

As a consequence of our transaction testing, we note that invoices are no longer being initialled by the authorising Councillors, undoubtedly as a consequence of the change in Clerk during the year. This important evidence of internal control should be re-established. However, all payments due continue to be detailed in the Minutes of each Council meeting.

VAT is being reclaimed on a quarterly basis.

Conclusions

No issues arise in this area of review warranting formal comment or recommendation, other than our observation about Councillors authorising payment documentation.

Assessment and Management of Risk

We are pleased to note that the Council regularly reviews its Risk Register, most recently at the November 2021 meeting, which meets the requirement of Financial Regulations.

The Council's insurance has been renewed with Inspire (Axa). Public and Employers Liability is set at £10 Million each, and other covers appropriate to a Council of this size are in place.

Conclusions

No issues arise in this area of review warranting formal comment or recommendation.

Budgetary Control and Reserves

The Council has continued to use its Finance Committee to undertake a detailed review of budget proposals. Following consideration of the 2022-23 budget proposals, these were subsequently approved by the Full Council at the December 2021 meeting, setting the 2022-23 Precept at £30,633. However, this figure is not specifically detailed in the Minutes, and we have discussed with the Clerk the need to make such important decisions explicit.

The Council's cash records detail the progress on managing its Earmarked Reserves. As at 31 March 2022 these have been agreed at £254,931, recognising a large amount of Community Infrastructure Levy (CIL) payments received during the year. The resulting General Reserve is therefore £28,461 which represents around 11 months normal expenditure. This is considerably higher than the Best Practice level of 6 months (50% of Precept), although we acknowledge the high degree of monitoring.

Conclusions

No issues arise in this area of review warranting formal comment or recommendation, other than our observations about explicitly recording the annual Precept in the Minutes, and continuing to monitor the level of Reserves.

Review of Income

The Council's has received limited income types during 2021-22 in the form of the annual Precept, VAT reclaims, and bank interest, although we have noted above the significant CIL receipts in the year. We have test-checked these transactions to the bank statements, with no issues arising.

Conclusions

No issues arise in this area of review warranting formal comment or recommendation.

Petty Cash Account

We note that, during 2021-22, the Council correctly closed down its Petty Cash account in favour of a Credit Card for the Clerk (with a £1,000 limit) which is processed in the same way as normal supplier payments.

Conclusions

No issues arise in this area of review warranting formal comment or recommendation.

Salaries and Wages

The Council only has one employee, the Clerk. We note the changes in staff during the financial year, with the current Clerk commencing in June 2021 continuing from the former Clerk and a short-term locum.

Payments to the Clerk are managed by an external payroll service (Simon Day & Co.). A test-check of the payroll records shows that basic pay and overtime are properly recorded on the basis of hours worked, and that HMRC records are properly maintained. However we note that an incorrect tax code for the new Clerk was originally applied which has resulted in an overpayment to HMRC which is still being recovered.

Conclusions

No issues arise in this area of review warranting formal comment or recommendation.

Asset Registers

We are pleased to note that all identified assets are valued at purchase cost (net of VAT) or, in the case of historical or donated items, a nominal value of £1, which meets the requirements of Government Accounting. An Asset Survey is also in existence which provides a good photographic record of assets for insurance purposes.

Conclusions

No issues arise in this area of review warranting formal comment or recommendation.

Investments and Loans

The Council reviewed its Investment Strategy at its February 2022 meeting. We note the intention to maintain and improve on interest earnings by changing accounts where necessary.

The Council has no loans in place either repayable by or to it.

Conclusions

No issues arise in this area of review warranting formal comment or recommendation.

Statement of Accounts and AGAR

Local government legislation is aimed at increasing the awareness of the public and openness in the management of public finances. The Annual Governance and Accountability Return (AGAR) provides the basis for the external auditor's certificate, informed by an independent internal audit.

We have duly agreed the detail on the 2021-22 AGAR to the underlying financial and other records, with no issues arising.

Conclusion

On the basis of our work as detailed above we have duly signed off the Internal Audit Report in the AGAR assigning appropriate assurances in each of the areas.