

Horningsham Parish Council

Internal Audit Report 2021-22

Claire Lingard
Consultant Auditor

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 Return.

This report sets out the work undertaken in relation to the 2021-22 financial year, which took place on the 20th April 2022.

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 / Annual Return. 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' as part of the Council's Annual Governance and Accountability Return (AGAR) process, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

The Council has continued to make significant business processes and performance improvements, as it moves into more regular operations upon the end of the Government's mandatory lockdowns re: Covid-19.

We noted that the Council continued to comply with with the Government's Covid-19 directives as it transitioned back from the restrictions of the last two years into normal working practices. A consistently high standard of service provision has been maintained at all times. Projects which had been delayed are now being delivered with appropriate governance and oversight and in compliance with the Council's Standing Orders and Financial Regulations at all times.

Once again, we commend the Clerk/RFO, both for her continued professional management & administration of the Council's finance, and modified governance functions. We also commend the Members for their strenuous efforts in maintain services and providing assistance for their constituents during the two years of Central Government mandated business restrictions and their efforts in leading the Council through the ongoing economic recovery.

Once again, the manner in which the Council's financial records and governance documentation for review during the Internal Audit for the financial year was exemplary making the process as straightforward as possible.

We ask that members consider the content of this report and acknowledge that the report has been formally reviewed and adopted by Council.

Detailed Report

Review of Accounting Records & Bank Reconciliations

The Clerk has maintained the Council's accounting records using Excel spreadsheets, which we consider generally adequate in view of the number of annual transactions. The Council maintained one bank account with the Unity Trust Bank with all payments being made electronically.

We have checked and agreed the spreadsheet detail in full to the relevant statements for the full financial year, also verifying the accuracy of the year-end cashbook / bank reconciliation ensuring that no long-standing uncleared cheques or other anomalous entries exist. We have consequently verified the accurate disclosure of the year-end balance in the Annual Return.

Conclusion

There are no matters arising in this area of our review warranting formal comment or recommendation.

Review of Corporate Governance

We have examined the content of the Standing Orders (SOs) and Financial Regulations (FRs), both of which have been reviewed and were re-adopted formally at the meeting of the Full Council in May 2021 under minute reference 21/013 'Review and Adoption of Parish Documentation.' We have examined the content of the extant SOs and FRs and consider them appropriate for the Council's present needs.

We have completed our review the Council's minutes for the current year to determine whether any issues exist that may have either a legal or financial impact on the Council and its future financial stability and are pleased to record that no such items appear to exist at present. Noting that the General Power of Competence was readopted at the meeting of the Full Council in May 2021 under minute reference 21/017.

We note that the Council received a Qualified External Auditor's report for the 2020-21 Financial Year.

Conclusion

There are no matters arising in this area of our review warranting formal comment or recommendation.

Review of Payments

We have examined the controls in place over the approval of payments for release and consider them sound.

As a result of the need to conduct this year's audit remotely, and in light of the Council's full compliance in previous year's Internal Audits, we have sampled payments made during the year: Every sixth invoice irrespective of value and every invoice in excess of £500.00 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 members at a Council meeting approved each payment;
- There was clear evidence of approval by members on each payment document;
- Payments have been correctly analysed in preparation of the year-end Statement of Accounts; and,
- Section 137 payments have been identified in the cashbook and are within the Council's spending limit.

Conclusion

There are no matters arising in this area of our review warranting formal comment or recommendation.

Review of Risk Assessment & Risk Management

We note that the Council reviewed and formally re-adopted its Risk Assessment documentation for the financial year during the September meeting of the Full Council, recorded under Minute reference 21/107.

The Council's insurance cover for FY 2021-22 was again arranged by Came & Co. and underwritten by Axa. We have examined the insurance schedule for the 2021-22 financial year with Public, Products and Employer's Liability cover both in place at £10 million, Hirers liability at £5 million, Terrorist Act at £2 million, Environmental clean-up £1 million, Data Protection at £1 million, Legal Liability & Expenses at £1 million, Safety Legislation at £1 million, Officials indemnity at £500,000, Employment Practices at £500K, and Liable & Slander at £500K, all of which we consider appropriate for the Council's present needs.

We note that a detailed Playground management policy, associated Risk Analyses, Inspection forms and inspection and reporting protocols are in place, with a Council Member undertaking weekly inspections. We further note that RoSPA undertook the Annual Independent Inspections that will be required from the first and subsequent annual anniversaries of the Playground's installation date.

Conclusion

There are no matters arising in this area of our review warranting formal comment or recommendation.

Review of Budgetary Control & Reserves

The Council's minutes, together with the supporting papers provided to Council indicate that members undertook a robust Budget setting and Precept determination process, and considered and approved the 2022-23 Budget and Precept, setting the latter at £18,770 (£15,677 prior year) in the December 2021 meeting of the Full Council under Minute reference 21/226.

We note that Councillors continue to receive regular income and expenditure reports along with the bank balance detail at each meeting.

Overall reserves as of the 31st March 2022 have increased slightly to £21,643 (18,113 prior year) with Earmarked reserves remaining static at £4,194 leaving a General Reserve fund of £17,449 (Prior year £18,113), which equates to approximately 11 months' revenue spending at the 2021-22 level, sitting only slightly above the generally recognised CiPFA guideline of retaining between three and twelve months' revenue expenditure.

Conclusion

There are no matters arising in this area of our review warranting formal comment or recommendation.

Review of Income

The Council receives only limited income, mainly from the annual precept, VAT recovered and occasional grants and donations. We have reviewed all available supporting documentation agreeing detail to the cashbooks and the Council's Year End Bank reconciliation.

Conclusion

There are no matters arising in this area of our review warranting formal comment or recommendation.

Review of Petty Cash Account

The Council's policy is not to maintain any form of cash float with any out-of-pocket expenses incurred reclaimed and paid in line with normal trader payment procedures. Resultantly, there are no matters arising in this area of our review warranting formal comment or recommendation.

Review of Salaries & Wages

We have, as in previous years, noted that the Clerk is employed under a formal contract with part-time working hours. We have checked the basis of the clerk's salary payments for the year, and examined the salary and deductions for July 2021 in detail, together with relevant tax coding and deductions, which are paid over to HMRC accordingly with no issues identified.

We further note that the Clerk received a formal appraisal, subsequently during the Budget setting and Precept determination process. The Clerk continues to be remunerated against SCP 20 and Members Resolved to increase the Clerk's hours by 3 hours per week at the 2nd December 2021 meeting of the Full Parish Council under Minute reference 21/180 of that meeting.

Conclusion

There are no matters arising in this area of our review warranting formal comment or recommendation.

Review of Fixed Asset Register

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned.

We are pleased to note compliance with this requirement, the Clerk maintaining an appropriate register with values identified both at cost price, or where unknown, at the best approximation thereto, together with the annually uplifted insurance value to assist with budgetary planning for future replacements.

We note that the Asset Register was reviewed and approved during the 2021-22 financial year and was Readopted during the Annual Meeting of the Parish Council in February 2021, under Minute reference 21/029, with an unchanged value of £31,815 (Prior year £31,815) which has been correctly reported in the Annual Return at Box 9 of Section 2.

The increase is in relation to the replacement of Chapel signage and its inclusion on the Fixed Asset Register.

Conclusion

There are no matters arising in this area of our review warranting formal comment or recommendation.

Review of Investments & Loans

It is noted that council continues to maintain a single current account with the Unity Trust Bank. There are no surplus funds available for investments.

The Council has no loans either repayable by, or to it, as at the 31st March 2022.

Conclusion

There are no issues arising in this area of our review warranting formal comment or recommendation.

Statement of Accounts and Annual Governance and Accountability Return

The Accounts and Audit Regulations, as amended periodically, require all councils to prepare annually a Statement of Accounts, which is now in the form of the Annual Governance and Accountability Return at Section 2, which is, together with the Annual Governance Statement at Section 1, subject to independent external audit examination and certification.

As part of our review process, we have examined the Council's procedures in relation to the identification of detail for inclusion in Section 2 of the Return, which is produced using Microsoft Excel spreadsheets, and used by the Clerk & RFO to provide the accounting statements. We have agreed detail therein to Section 2 of the 2021-22 Annual Governance and Accountability Return.

Conclusions

We are pleased to record that no issues arise in this area and, on the basis of the work undertaken during the course of our review for the year, we have "signed off" the Internal Audit Report in the year's Annual Governance and Accountability Return assigning positive assurances in all areas.