

Ashover Parish Council

Internal Audit Report 2021-22: Interim

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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. Due to the impact of the Covid-19 pandemic, we have again undertaken our review for the year to date remotely: we wish to thank the Clerk in assisting the process, providing all necessary additional documentation in electronic format to facilitate completion of our review for the year to date. We have ensured that governance and financial controls remain effective.

Internal Audit Approach

In undertaking our review for the year to date, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts/AGAR. We have employed a combination of selective sampling techniques (where appropriate) and 100% detailed checks in a number of key areas in order to gain sufficient assurance that the Council's financial and regulatory systems and controls are appropriate and fit for the purposes intended.

Our programme of cover has 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 'Annual Internal Audit Report' in the Council's AGAR, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We have concluded that, on the basis of the programme of work we have undertaken, the Council has maintained very satisfactory and effective internal control arrangements.

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

Detailed Report

Maintenance of Accounting Records and 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 cashbooks or financial ledgers. The Clerk continues to maintain the accounting records utilising the bespoke Alpha software. Unity Bank Current and Reserve bank accounts are in place with daily “sweeps” between them to maximise interest potential. There is also a NS&I deposit account. We have: -

- Checked and agreed the opening Alpha trial balance detail for 2021-22 to the closing Trial Balance and certified AGAR for 2020 -21;
- Checked and agreed all transactions for April and August 2021 on all accounts noting that, a single cashbook is maintained for the Unity Current and Reserve accounts;
- Agreed the monthly bank reconciliations as at August 2021 all accounts;
- Checked all the inter-account transfers to August 2021; and
- Verified that an appropriate cost centre and nominal ledger structure remains in place.

Conclusions

We are pleased to record that no issues have been identified that warrant formal comment or recommendation. We will undertake further work at our final review.

Review of Corporate Governance

Our objective 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 and that, as far as we are able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We have: -

- Reviewed the minutes of meetings of the Full Council and its Standing Committees for the financial year to date, to ensure that, as far as we are reasonably able, no issues affecting the Council’s financial stability either in the short, medium or long term exist, also that no legal issues are in existence whereby the Council may either be considering or have taken decisions that might result in ultra vires expenditure being incurred;
- We have noted in our previous reports that the Council reviewed its Standing Orders and Financial Regulations with minor amendments with the removal relating to remote meetings adopting them formally in May 2021; and
- Confirmed that all payments continue to be approved by members and recorded in the minutes, together with reference to the relevant powers for approval of grants and donations.

Conclusions

There are no matters requiring formal comment or recommendation in this area of our review process. We will undertake further work at our final review.

Review of Expenditure

Our aim here is to ensure that: -

- 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;
- The correct expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have commenced testing in this area selecting a small sample of payments irrespective of value, to 31st August 2021.

We have also reviewed the current VAT records to September 2021 on the accounting software agreeing a claim sample detail to supporting invoices and records. We note that a 6 month claim has yet to be submitted to HMRC.

Conclusions

We are pleased to record that no issues have been identified that warrant formal comment or recommendation. We will undertake further work at our final review.

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 have:

- Examined the Council's approach to the identification, recording and management of financial risks, reviewing the Council's schedule of risk assessments prepared through the specialist LCRS software, together with other risk documentation developed by the Clerk, also noting that the LCRS risk assessments were reviewed and re-adopted by the Council in May 2021. Noted that daily/weekly Health & Safety checks are completed by the Lengthsman and recorded appropriately: these are also supported by monthly and annual safety checks by North Derbyshire District Council safety officers; and
- Examined the Council's current year insurance policy, with Aviva via BHIB, to ensure that appropriate cover is in place to meet the Council's present needs. Both

Public and Employer's Liability stand at £10 million, with Fidelity Guarantee at £250,000, all of which we consider appropriate to the needs of the Council.

Conclusions

No issues have arisen in this area warranting formal comment.

Precept Determination and Budgetary Control

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 placed on the Unitary Authority, 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 are pleased to note that members continue to receive regular budget monitoring reports with over/under-spends and the level of earmarked reserves the subject of regular review.

The Council will commence consideration of the 2022-23 budgetary requirements later this year and we shall consider the action taken and outcomes, together with the approved level of precept at a future visit.

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Conclusions

We have been advised that the Council are to formally consider and finalise its budget and precept requirements for 2022-23 later in the financial year. Consequently, we shall review this area further at our final visit, also examining the year's budget outturn, following up any significant variances and obtaining appropriate explanations: we shall also consider the appropriateness of retained reserves to meet the Council's ongoing revenue spending requirements and any development aspirations.

Review of Income

The Council has a variety of income sources, ranging from the annual precept to burial fee income, bank interest, tennis courts, miscellaneous donations and grants. We have:

- Checked cemetery activity for the year to August 2021 by reference to the burial register entries ensuring that they are all supported by appropriate undertakers' applications; that the fees charged are in accord with the published scales; that income has been received within an appropriate time scale and recorded appropriately in the accounting records. We also note that an electronic record is maintained of all the grave and burial records which is fully backed up on an independent hard drive: this electronic record is kept alongside the written records;
- Also checked and agreed allotment rental fee income for the financial year by reference to the ledger entries to ensure agreements were in place and that the fees charged at published scales and banked accordingly; and

- Noted that members approved the annual scales of charges to be applied for the cemetery, which have again remained unchanged for 2021-22.

Conclusions

No issues have been identified with regard to our testing in this area.

Petty Cash Account

The Council does not operate a petty cash account: consequently, no action will be required in this area of the AGAR's internal audit certification process.

Review of Staff Salaries

In examining the Council's payroll function, we aim 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 NI contributions, together with meeting the requirements of the pension scheme, in relation to employee percentage bandings. To meet that objective, we have: -

- Checked and agreed the computation of staff gross and net pay for August 2021, also verifying that the net payments corresponded to the data produced for the month; and
- Checked detail of tax and NI deductions / contributions, together with Nest pension contributions, for August 2021 ensuring that the appropriate tables have been applied by reference to the HMRC Basic PAYE Tools software.

Conclusions

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

Loans and Investments

The Council holds neither any specific, long-term investments nor loans requiring disclosure in the Annual Governance and Accountability Return.