

Collier Street Parish Council

Internal Audit Report: 2021-22 Final update

Stuart J Pollard

*Director
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 system of internal control and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR).

We agreed with the Clerk that, as we were working in the vicinity in November 2021 & March '22, we would undertake on site reviews of the year's transactions, etc. as far as possible taking account of the clerk's impending retirement at the end of March 2022. We have now finalised our review for the year in late-May 2022 following closedown of the Alpha accounts for the year with assistance from RBS Rialtas. We wish the new clerk well in her new role. The attached report provides a composite record of the work undertaken during the year. As in prior years, we again thank the former and new Clerks in assisting the process, providing all necessary documentation in either hard copy or electronic format to facilitate completion of our review for the year.

Internal Audit Approach

In undertaking our review, we have as previously, had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover is designed to afford appropriate assurance that the Council's financial and overall control 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 'IA Certificate' as part of the Council's AGAR process, which requires independent assurance over several internal control objectives.

Overall Conclusion

We are pleased to again conclude that, based on the satisfactory completion of our review programme this year, the Clerks & Council have continued to maintain adequate and effective internal control arrangements during the year with no issues arising warranting formal comment or recommendation. We are also again pleased to acknowledge the quality of records maintained by the former Clerk and thank him for his assistance, which has ensured the smooth progress of our review. We also take this opportunity to wish him well for the future.

Based on the satisfactory conclusions reached from our review of the year's records, we have completed and signed-off the 'IA Certificate' in the year's AGAR, having concluded that, in all significant respects, the relevant 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 Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in the Alpha accounts maintained by the Clerk with two bank accounts in use with HSBC Bank. We have: -

- Checked and agreed the opening balances in Alpha for 2021-22 to the closing Trial Balance and certified AGAR for 2020-21;
- Verified that an appropriate cost centre and nominal ledger structure remains in place;
- Checked and agreed all transactions for the full financial year, due to their relative low volume, to the supporting HSBC Bank statements on both accounts;
- Ensured that the accounts remain “in balance” at the financial year-end;
- Verified the accuracy of detail in the bank reconciliations at 30th September 2021 and 31st March 2022 on both accounts ensuring that no long-standing uncleared cheques or other anomalous entries exist; and
- Ensured the accurate disclosure of the combined account balances in the AGAR at Section 2, Box 8.

Conclusions

We are pleased to report that no issues arise in this area of our review process warranting formal 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 meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we are reasonably able to ascertain as we do not attend Council meetings, no actions of a potentially unlawful nature have been or are being considered for implementation.

We were pleased to note in last year’s report that, following our prior year recommendation, both the SOs and Financial Regulations (FRs) were reviewed, updated in line with recent legislative changes with both re-adopted by Council at the February 2021 meeting with a consistent value of £10,000 recorded for formal tender action.

We have examined the Council meeting minutes for the financial year and to date in 2022-23 to ensure that no issues either exist currently or are developing that may have an adverse effect on the Council’s financial standing: we have also sought to ensure that, as far as we are reasonably able to ascertain, no actions are planned or have taken place that may be of an ultra vires nature and place the Council at risk of criticism or possible financial penalty.

We also note the satisfactory conclusion and sign-off of the 2020-21 AGAR by PKF Littlejohn with no issues arising.

Conclusions

We are pleased to record that no matters arise in this area this year warranting formal comment or recommendation. We shall continue to monitor the Council's approach to corporate governance at future reviews, also continuing our examination of minutes.

Review of Expenditure & VAT

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Appropriate procedures are in place to ensure compliance with the Council's Standing Orders and Financial Regulations with regard to tendering and quotation action;
- 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;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct coding and cost centre has been applied to invoices when processed; and
- VAT has been appropriately identified for periodic recovery.

We have, due to our being able to undertake this year's review effectively "on-site" at the Clerk's home, examined all payments for the year (excepting the last three processed after our final review visit to the former clerk's home) as recorded in the Alpha financial ledgers for compliance with the above criteria. We noted previously that the Clerk holds an HSBC company debit card with a pre-determined spending limit of £500 and have similarly verified those transactions on this card.

We note that the recoverable VAT for 2020-21 was reclaimed and repaid by HMRC on 22nd April 2021 and will review the 2021-22 reclaim agreeing detail to the underlying Alpha accounts control account detail when undertaking the next review.

Conclusions

We are pleased to acknowledge the effectiveness of the operative controls in place with no issues arising this year warranting formal comment.

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 risk register was reviewed, approved and adopted by the Council at their February 2022 Council meeting and have reviewed the resultant document and consider it appropriate for the Council's present requirements.

We have also examined the Council's insurance policy for 2021-22, cover being provided to 31st May 2022, and also consider that appropriate cover is in place with Public and Employer's Liability standing at £10 million and Fidelity Guarantee at £250,000.

We note that the Council's play area continues to be inspected monthly by TMBC who provide the Council with written reports, which are considered and acted on accordingly. Additionally, an annual inspection is undertaken by the RoSPA accredited company, Playsafety Ltd.

Conclusions

No issues arise in this review area warranting formal comment or recommendation at present. We will continue to monitor the Council's approach to risk management at future reviews.

Budgetary Control and Reserves

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 to be precepted on TMBC; 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. To meet this objective, we have: -

- Noted from our review of the minutes that members continue to be provided with regular management accounting information;
- Noted that following due deliberation at the January 2022 Council meeting, the 2022-23 budget and precept were approved and adopted, the latter being set at £17,806;
- Reviewed the 2021-22 year-end budget outturn with no significant variances existing warranting further comment or enquiry; and
- Considered the appropriateness of the level of general reserves to meet the Council's ongoing revenue spending requirements noting that the year-end balance of £81,155 (£81,850 at 31st March 2021) includes £68,371 of CIL moneys received previously and now held in a specific earmarked reserve pending application on appropriate projects. The residual General Reserve balance of £12,783 (£13,480 on 31st March 2021) equates to approximately six months' revenue expenditure at the 2021-22 level, which is considered appropriate for the Council's present requirements.

Conclusions

We are pleased to record that no matters have been identified in this area warranting formal comment or recommendation.

Review of Income

The Council has limited sources of income, primarily the annual precept, occasional CIL moneys and other grants, small amounts of bank interest and recoverable VAT. As indicated earlier in this report, we have checked and agreed the detail of such receipts during 2021-22 to the Council's bank statements and other supporting documentation, where available.

Conclusions

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

Petty Cash Account

The Council does not operate a petty cash account, any out-of-pocket expenses incurred by the clerk in connection with his work for the council being reimbursed with his monthly salary payment.

Review of Staff Salaries

In examining the Council's payroll function, we aim to verify that staff salaries are paid in accordance with their Contracts of Employment and that legislation is being appropriately observed as regards adherence to the requirements of HMRC with regard to the deduction and payment over of income tax and NI contributions. To meet this objective, we have:

- Reviewed the Council's payroll preparation procedures noting that the Clerk utilises HMRC's "PAYE Tools" software;
- Noted that the Council during the year approved a pay award for the clerk backdated to 1st April 2018 and have checked and verified the accuracy of the Clerk's calculations of the arrears of pay due, which were actually paid with the uplifted salary in September 2021;
- Similarly noted agreement to implement the national pay award from 1st April 2021, which has been duly paid, together with arrears, in March 2022.
- Ensured that the PAYE deductions have been calculated accurately by reference to the HMRC PAYE Tools software; and
- Ensured that each month's deductions have been paid over to HMRC in a timely manner.

Conclusions

No issues have been identified in the management of the Council staff's pay for the year.

Asset Registers

The Practitioner's Guide requires all councils to maintain a record of all assets owned. We have checked and agreed the detail recorded in the Council's Asset Register, noting that it has been prepared using purchase cost values or, where that value is unknown, at the previous year's recorded AGAR value uplifted or decreased to reflect the acquisition or disposal of assets during the financial year, the former including a new PC and software, together with various items of play equipment, etc.

We are pleased to note that Council approved the Asset Register at its meeting in February 2022.

Conclusions and recommendation

We are pleased to report that there are no issues of concern arising in this area of our review process: however, in line with best practice and to potentially assist any insurance reclaim or police enquiry in the event of the theft of or accidental / wilful damage to street furniture / equipment, consideration be given to the development of a photographic register of the Council's

assets – several of our clients have found that such a record has eased the process of insurance reclaims, etc.

R1. Consideration should be given to the development of a photographic register of the Council's asset stock to assist any potential insurance reclaims or police investigations in the event of theft or damage to Council property.

Investments and Loans

The Council neither owns any investments, not has any outstanding loans repayable either by or to it.

Statement of Accounts and Annual Return

The AGAR now serves as the statutory accounts of the Council subject to external audit scrutiny and certification with the Section 2 financial information detail generated automatically in the main by the Rialtas Alpha software for disclosure in the year's AGAR.

Conclusions

As a service to the Council, we have reviewed and agreed the detail to be disclosed in the year's AGAR at Section 2 and, based on the satisfactory conclusions drawn from our programme of cover for the year, we have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

Rec. No.	Recommendation	Response
R1	Consideration should be given to the development of a photographic register of the Council's asset stock to assist any potential insurance reclaims or police investigations in the event of theft or damage to Council property.	