



Burghfield Parish Council

Internal Audit Report: 2020-21 (Final Up-date)

Prepared by Chris Hackett

Consultant Auditor

*For and on behalf of
Auditing Solutions Ltd*

Background and Scope

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 Governance and Accountability Return (AGAR).

This report sets out the work undertaken during our initial review on November 11th 2020 and final review on April 15th 2021 in relation to the 2020-21 financial year. Due to the impact of the Covid-19 pandemic the reviews were completed remotely. We wish to thank the Clerk for providing all the information in electronic format to enable us to complete our work.

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 miss recording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover is designed to afford appropriate assurance that the Council has 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' which is part of the Council's AGAR process and requires independent assurance on eleven internal control objectives.

Overall Conclusion

Based on the work completed, the Council continues to operate effective systems to ensure that transactions are free from material misstatement and will be reported accurately in the AGAR for the financial year. We have made two recommendations detailed below.

We wish to thank the Clerk for the courtesy and attention afforded during our reviews and we ask that this report is presented to Members.

This report has been prepared for the sole use of Burghfield Parish Council. To the fullest extent permitted by law, no responsibility or liability is accepted by Auditing Solutions Ltd to any third party who purports to use or rely on, for any reason whatsoever, this report, its content or conclusions.

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 cashbooks or financial ledgers. The Council uses the Rialtas accounting system maintaining three cash books, specifically the current account (cash book one), Village Hall account (cash book two) and the payroll account (cash book three). We have:

- Reviewed the opening trial balance detail for 2020-21 comparing it to the closing balances in the 2019-20 Statement of Accounts / AGAR to ensure that all balances have been brought forward correctly;
- Reviewed the report of the External Auditor on 2019/20 to confirm there are no matters requiring follow up by us;
- Ensured that the cost centre and income & expenditure ledger coding structure remains appropriate for purpose;
- Ran a data check on the Rialtas ledger to confirm it is in overall balance at the interim and final stage of the audit;
- Discussed arrangements for managing the accounting system including arrangements for providing daily back ups;
- Confirmed arrangements for Member review of the bank reconciliations;
- Agreed for the three cash books the reconciliations to the bank from the Rialtas system as at 30th September, 31st October 2020, 28th February 2021 and 31st March 2021 confirming also there were no anomalous entries or adjustments; and
- Agreed the transactions in the three cash books for October 2020 and March 2021 to the bank statements.

Conclusion

The Council is completing reconciliations of the accounts and maintaining its Ledger. There are no matters arising in this area of our review requiring recommendations.

Review of Corporate Governance

Our objective is to ensure that the Council has a robust series of corporate governance documentation 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 the Full Council and the Finance and Governance Committee to identify whether or not any issues exist that may have an adverse effect on the Council's future financial stability, either in the short, medium or longer term;

- Noted that standing orders and financial regulations were reviewed during 2019 and approved by Full Council in January 2020. Further that aspects of Standing Orders were reviewed during 2020/21; and
- Confirmed the Council advertised the audit of the prior year (2019/20) accounts by placing the notice of public rights on its website. Internal Auditors are now required by Regulations to confirm this.

Conclusions

No issues have been identified in this area to warrant formal recommendations. We take this opportunity to advise Members that NALC issue guidance on model financial regulations and the Council needs periodically to review these and up-date its arrangements as necessary. We take also this opportunity to remind the Council of the publication requirements in respect of the AGAR as set out on page one of the AGAR.

Review of Expenditure

Our aim here is to ensure that:

- Council 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;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- 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.

In order to gain assurance of compliance with the above criteria we have examined a sample of payments, including all those individually in excess of £1,500, together with a more random sample of every 20th cashbook transaction (irrespective of value), for the year to 31st March 2021. Our test sample comprised 46 cash book payments in all, totalling £259,261.

We discussed arrangements with the Clerk for the tender of the contract for building works on the village hall. We understand thirty expressions of interest were received, that the Council appointed an architect who drew up a tender specification and conducted checks on the companies that responded including contractor questionnaires and references. That four companies provided detailed bids and following review and interviews a contractor was appointed. We have so far inspected two invoices received from the Builder as part of our payment sample referred to above.

We discussed with the Clerk the controls over the processing and authorisation of payments and understand they continue to operate in the same way as the previous year.

We confirmed that the VAT due for reclaim at 31st March 2020 had been recovered from the HMRC. We reviewed the quarterly VAT reclaims for 2020/21 agreeing them to the control records and confirming the funds reclaimed had been recovered from HMRC or in the case of the final quarter recorded as a debtor in the year end accounts.

Conclusions

Based on our audit sample payments are supported by invoices confirming the amounts incurred. There are no matters arising in this area requiring recommendation.

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 have:

- Reviewed the current year's insurance policy provided by Zurich noting that cover includes:
 - Buildings insurance
 - Business interruption cover of £10,000
 - Public liability cover of £12m
 - Hirer's liability cover of £2m
 - Employer's liability cover of £10m
 - Fidelity guarantee cover of £1m;
- We have discussed the Council's arrangements for assessing risks with the Clerk. We note that various risk assessments have been completed during the year, for example in relation to recreational areas and that an overall risk assessment including financial risks has been prepared. The overall risk assessment identifies the risk, assesses it and details the controls. Financial risks identified include budgeting, financial controls, loss of income etc. The overall risk assessment is due to be considered and adopted by Members at the April 2021 meeting of the Council;
- We have confirmed with the Clerk the Council's arrangements for the completing safety inspections of its play areas.

Conclusions and recommendation

The Council continues to monitor its risks.

We note the Governance and Finance Committee approved the Council's risk assessment at its meeting in September 2019.

R1 Members should review and adopt the latest risk assessment.

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 level of precept to be drawn down from the District 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 that might arise.

We are pleased to note that the Finance and Governance Committee regularly get budget comparison reports.

We note that Full Council set the 2021/22 budget at the meeting in November 2020 and further approved the 2021/22 precept at the January meeting. Members were supported in their decision making process by a detailed analysis of the proposed 2021/22 budget including income and expenditure and projected reserves.

We have reviewed income and expenditure for the full year comparing it to the prior year and seeking explanations for material variances which for 2020/21 mainly revolved around changes in spending on the village hall, income to the village hall and receipt of CIL grant.

At 31st March 2021 general reserves were £222,746 and Earmarked Reserves £243,646, providing £466,392 in total. General reserves equate to some six months spending at 2020/21 levels and equates to the normal expected level of reserves for a parish council.

Conclusion

No issues have been identified based on our work in this area. Members review reserves and financial information.

Review of Income

In addition to the precept, the Council collects income from its Village Hall lettings, Allotment rentals and burials and receives bank interest and sundry grants and donations. We have reviewed budget information on Rialtas and identified areas to test:

- We reviewed the income recorded in Rialtas from allotment rentals and compared it to the income recorded in total in the detailed allotments register. We picked two plots at random and checked the calculation of the annual rent and reviewed the tenancy agreements;
- We noted the Council received CIL of £78,511 and agreed the amounts to remittance advices from West Berkshire District Council;
- We agreed the Village Hall grant received by the Council of £10,240 to email correspondence from West Berkshire Council;

- We obtained the Burial Register and for the four burials in the year checked that a certificate of burial or cremation was held, that the fee charged agreed to the schedule of rates published on the Council's website and we checked the income to the amount recorded on Rialtas;
- We agreed the precept income recorded in Rialtas to the amount set and recorded in the minutes and the list of precept demands published by the Ministry of Housing and Local Government; and
- At our interim review we checked the unpaid balances report on the sales ledger noting the balance stood at £414. This was less than the amounts outstanding at our interim visits in prior years. At the final stage we reviewed debtors noting they principally consisted of VAT due back from the HMRC.

In addition, as noted previously, we checked two month's income from the bank statements to the cash books and agreed the recovery of VAT. We further note from our review of minutes that the Council keeps its fees and charges under review.

Conclusion

The Council has arrangements for controlling income. We note that for two of the burials during the year the fees were still due for payment (per the Rialtas report provided) and for one the Council still needs to obtain the burial certificate from the undertaker based on the information provided.

Petty Cash Account

The Council does not operate a petty cash account, any out-of-pocket expenses incurred by the Clerk or her staff being reimbursed as required and approved and supported by transfers in the same manner as all other supplier payments.

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 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 local government pension scheme, as further updated with effect from 1st April 2017 in relation to salary bandings.

We note the Council uses HMRC software to process its payroll with the total pay costs authorised each month by Members. To meet our audit objectives, we have:

- Agreed the gross pay per the payslips to a confidential report setting out pay rates for staff;

- Reviewed pay for August 2020 as a sample month testing the calculation of PAYE and NI on a sample basis;
- Confirmed the deduction of employee pension contributions and the amount paid over to the Pension Administrator for August 2020;
- Confirmed the payment of sums due to HMRC for August; and
- Completed a monthly trend analysis of payroll costs for the year to ensure there are no material anomalies.

Conclusions

No issues have been identified to warrant formal comment or recommendation in this area.

Asset Register / Inventory

The “Governance and Accountability Manual – The Practitioner’s Guide”, requires all councils to maintain a detailed register of their assets. We aim in examining this aspect of the Council’s documentation to ensure that the Council has complied with that legislation; that an appropriate and comprehensive register is being maintained and that it is subject to periodic review and update.

We note the existence of the Register covering the different categories of assets held by the Council. We note items are recorded at cost as required by the regulations and there have been no material additions this year. There is a de-minimis difference of £1,083 between the Asset Register and the value reported in the statement of accounts. (The assets reported in the accounts total £1,355,140, the Asset Register totals £1,356,223). This appears to relate to the acquisition of IT in 2019/20.

Conclusions

The Council is maintaining an asset register. There are no matters requiring formal comment or recommendation.

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 repayable by the Council are transacted in accordance with appropriate loan agreements. We note:

- At 31st March 2021 the Council held funds on deposit specifically:
 - The Nationwide Building Society, £131,730.76 which we agreed to a Nationwide statement;
 - The Unity Deposit Account, £32,110.48 which we agreed to the Unity statement, and

- The Newbury Building Society £103,523.73 which we agreed to a printout, (although the print did not specifically have a heading on it from the Building Society);
- We note that an Investment Strategy has been drawn up which was considered by Finance and Governance Committee in February 2021 and we understand signed off by Full Council in April 2021; and
- That the Council currently has no loans, although we note has applied for one.

Conclusion and recommendation

We make one recommendation to strengthen the audit trail.

R2 The Council should obtain a formal statement from Newbury Building Society showing clearly the name of the Lender on the Statement and provide it to audit.

Statement of Accounts and AGAR

The Accounts and Audit Regulations require all Councils to prepare summary accounts which are reported in the AGAR. Burghfield also engages contract accountants to prepare a detailed Statement of Accounts identifying aspects of the Council's financial affairs.

We have reviewed the accounts and the AGAR test checking them to the detailed accounting system (Rialtas Ledger). Specifically, we agreed the Rialtas trial balance at the year end to the accounts and ensured cash and investments, income and expenditure was consistent. As previously noted, we agreed the accounts to the fixed asset register.

Conclusions

There are no matters arising from this area of our work requiring formal comment or recommendation and we have duly signed off the Internal Audit section of the AGAR assigning positive assurance against the control objectives.

Rec. No.	Recommendations made during the Interim Audit	Response
Assessment and management of risk		
R1	Members should review and adopt the latest risk assessment.	
Investments and Loans		
R2	The Council should obtain a formal statement from Newbury Building Society showing clearly the name of the Lender on the Statement and provide it to audit.	