
Burghfield Parish Council

Internal Audit Report: 2021-22 (Final)

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***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 for our review of the 2021-22 financial year which took place on December 13th 2021 and 10th May 2022, together with our preparatory off site work. We wish to thank the Clerk for providing all the information 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 and requires independent assurance on specified internal control objectives.

Overall Conclusion

Based on our work, the Council operates reasonably effective systems to ensure that transactions are free from material misstatement and will be reported accurately in the Statement of Accounts/AGAR for the financial year. We have made two recommendations to further enhance controls. We note West Berkshire Council did not provide a remittance advice for the CIL of £46,123 paid Burghfield Parish Council in the year.

We ask that our report is presented to Members.

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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 Omega 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:

- Confirmed the External Auditor raised no issues on the 2020/21 accounts requiring our follow up;
- Reviewed the opening trial balance detail for 2021-22 comparing it to the closing balances in the 2020-21 Statement of Accounts / AGAR to ensure that all balances have been brought forward correctly;
- Ensured that the cost centre and income & expenditure ledger coding structure remains appropriate for purpose;
- At our interim and final reviews run a data check on the Rialtas ledger, to confirm it was in overall balance at the time of our review;
- Discussed arrangements for managing the Rialtas accounting system including arrangements for providing daily back-ups and processing journals, (manual adjustments to the Rialtas system);
- Confirmed arrangements for Member review of the bank reconciliations;
- For cash book one, Unity Trust Current Account, we agreed the reconciliation at 30th September, 31st October 2021, 28th February and 31st March 2022 and tested the transactions in October and March agreeing them between the cash book and the bank statement; and
- For cash books two and three we similarly agreed the reconciliations at 30th September, 31st October 2021, 28th February and 31st March 2022 and agreed transactions in October and March between the cash books and bank statements.

Conclusions

The Council is completing regular reconciliations of the accounts and maintaining its Ledger.

We have agreed the cash balances to the year-end accounts and AGAR.

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:

- Completed our review of the minutes of the Full Council and its Standing Committees (except the Infrastructure's Committee which relates to planning) 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 following review by the Governance and Finance Committee in April Full Council noted and confirmed standing orders and financial regulations at their meeting in May 2021. Further that Standing Orders were reviewed again in February 2022;
- Noted the Council adopted the General Power of Competence at its meeting in May 2021;
- Noted that payments over £500 are posted on the website; and
- Confirmed the Council advertised the audit of the prior year (2020/21) accounts by placing the notice of public rights on its website.

Conclusion

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

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.

We discussed with the Clerk the controls over the processing and authorisation of payments and understand transaction lists are provided to Council meetings for approval with two Members authorising the payments via the on-line banking system.

In order to gain assurance, 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 2022. Our test sample comprised 51 items in all, totalling £257,443 and representing 43% of all non-pay costs for the year to 31st March 2022.

We confirmed that the VAT due for reclaim at 31st March 2021 had been recovered from the HMRC. We reviewed the first two quarter's 2021/22 VAT returns agreeing them to the control record and confirming the funds reclaimed had been recovered from HMRC. We note the final two quarterly claims for 2021/22 were completed at the year end, the Clerk confirmed the funds had been received from HRMC.

Conclusion

Based on our audit sample payments are supported by invoices confirming the amounts incurred.

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:

- Noted the Governance and Finance Committee received the 2021/22 risk assessment in April 2021. This includes financial risks using the LCRS software which describes the risk and assesses them. We understand the Committee is due to consider the risk assessment again in May 2022;
- Reviewed the current year's insurance policy provided by Zurich, which runs to 31st May 2022, noting that cover includes:
 - Buildings insurance
 - Business interruption loss of revenue cover of £25,000
 - Public liability cover of £12m
 - Hirer's liability cover of £2m
 - Employer's liability cover of £10m
 - Fidelity guarantee cover of £1m; and
- We have confirmed with the Clerk the Council's arrangements for completing safety inspections of its play areas which are done by West Berkshire Council supplemented by regular external checks by additional third parties.

Conclusion

The Council continues to monitor its risks.

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.

After initial consideration by the Committees, Full Council set the 2022/23 budget and precept at the meeting held on 6th January 2022. In making the decision Members took account of balances and earmarked reserves and were provided with a detailed analysis of income and expenditure showing current year, coming year and the following 2 years. Reports provided included explanatory notes and took account of the tax base.

We have reviewed the full year income and expenditure making comparison to trends over prior years. We note Village Hall income is up reflecting grants and the re-opening for paid hiring. We note the capital spending on the temporary building.

Spending in year was £449,147 or £37,429 a month. The general reserve was £225,986 at 31st March 2022. This is some 6 months spending and within the normal range for parish councils of 3 to 8 months.

Conclusion

No issues have been identified based on our work in this area.

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 the budget information on Rialtas and identified the following areas to test, specifically we:

- Confirmed from our reading of the minutes that the Council continues to keep its fees and charges under review;
- Agreed the precept income recorded in Rialtas for 2021/22 to the amount set and recorded in the minutes. We further agreed the precept to the list of 2021/22 precept demands published by the Government;
- At the interim stage reviewed the income recorded in Rialtas from allotment rentals and agreed it to the income recorded in total in the detailed allotments register. The system in place is for one officer to send out the rent demands and administer the rental agreements, the Clerk notes each week the actual cash collected per the bank and

notifies the admin officer who enters the detail in the allotment register against the debt raised to the tenant. We test checked at random one tenancy recorded on the allotment register to the tenancy agreement, (it was scanned to us by the Clerk);

- Noted the Council received CIL of £46,123 in May 2021, but unlike in previous years West Berkshire Council has not provided a remittance advice confirming the amount;
- Burials, we tested three interments recorded in the burial register confirming a certificate for burial was held, the fee charged was consistent with the schedule of rates and was recorded in the Rialtas system;
- Tested grants received from West Berkshire Council of £34,000 for the Village Hall to email evidence;
- Tested the receipt of grant of £,5000 from a Charitable Trust to an email confirmation;
- Tested receipt of grant of £9,900 Neighbourhood Planning grant to a remittance advice;
- Tested a sample of Village Hall bookings from the letting diary confirming an invoice was raised; and
- Reviewed the unpaid balances report on the sales ledger at the time of our interim visit noting the balance stood at £1,094. Of this £853 was less than three months old. At our final review we looked at year end debtors.

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.

Conclusions and recommendation

The Council has arrangements for collecting income.

The Council takes a damage deposit of £150 for hall use. We understand the excess on the insurance policy is £250. The Council may wish to consider whether the damage deposit should tie in with the excess.

The council should confirm the value of CIL received in the year to third party evidence, although we acknowledge this requires the Unitary to action.

R1 Officers should request West Berkshire Council provides a remittance advice or confirmation of the CIL paid to Burghfield in 2021/22. (We understand this was not 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.

The Council uses the HMRC payroll tools software to process its payroll. We understand that payments are raised online by the Clerk via the Unity Trust banking system. The transaction list is provided to Members of the Staffing Committee for approval. Two members then go online and authorise the payments with a copy of the transaction list being provided. To meet our audit objectives, we have:

- Obtained the payslips for August 2021, as a sample and tested the calculation of tax, national insurance contributions and pension deductions;
- Agreed the totals on the pay-slips to the amounts paid to staff, HMRC and the Local Government Pension Scheme for August 2021 as recorded in Rialtas; and
- Completed a monthly trend analysis of payroll costs for the whole year to ensure there are no material anomalies.

Conclusions

No issues have been identified to warrant formal comment or recommendation in this area. We noted a minor anomaly in the calculation of employee pension contributions which may have resulted in an officer paying too much. Officers may wish to check with the Pension Fund if the correct approach has been followed.

Asset Register

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.

The Council has an asset register which includes photographic detail by category eg Village Hall contents, equipment, land and buildings etc. The asset register needs reviewing and up-dating. The summary total £1,356,228, on the asset register, compares to £1,385,402 in the accounts, the main difference relates to spend in 2021/22 of £30,262, but there are other areas that need review and up-dating eg detail of Village Hall equipment following the refurbishment.

Conclusion and recommendation

The Council has an asset register. It needs some minor up-dating.

R2 The Council should review and up-date its asset register ensuring the basis of valuation accords with the Accounting guidance, normally cost net of VAT, and where possible assets are sufficiently analysed to record and adjust for future disposals.

Investments and Loans

We agreed the balance on the Nationwide 95 day account, Newbury Building Society Account and Unity Trust 90 day deposit to statements from the banks at 31st March 2022 and to the Accounts/AGAR.

We confirmed the new Council loan for £100,000 to correspondence from the PWLB and agreed the year end balance as reported in the Accounts/AGAR to the detail on the Government's Debt Management Office website.

Conclusion

There are no matters arising in this area.

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 checked the accounts to the fixed asset register.

We note the PWLB loan advance of £100,000 is described in the Income and Expenditure account as a grant.

Conclusions

There are no matters arising from this area of our work requiring formal comment or recommendation, although the Council may wish to change the wording/description of the loan advance as reported in the Income and Expenditure Account.

We have duly signed off the Internal Audit section of the AGAR.

We also take this opportunity to remind the Clerk of the requirements of the guidance notes in the preface to the year's AGAR in relation to the documentation that should be displayed on the Council's website, together with the need to ensure compliance with the timing requirements for publication of the Notice of Public Rights to examine the Council's documentation for the financial year.

Appendix1: Recommendations

Rec. No.	Recommendations	Response
Review of Income		
R1	Officers should request West Berkshire Council provides a remittance advice or confirmation of the CIL paid to Burghfield in 2021/22.	<i>Not provided by West Berkshire Council.</i>
Asset Register		
R2	The Council should review and up-date its asset register ensuring the basis of valuation accords with the Accounting guidance, normally cost net of VAT, and where possible assets are sufficiently analysed to record and adjust for future disposals.	