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**Kirby Bellars Parish Council**

*Internal Audit Report 2019-20*

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*Prepared by John Watson*

*For and on behalf of  
Auditing Solutions Ltd*

## **Background and Scope**

The Accounts and Audit Regulations introduced from 1<sup>st</sup> April 2001 require all Town and Parish Councils to implement an independent internal audit examination of their accounting records and systems of internal control and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR). The Council complied accordingly, in terms of independence from the Council decision making process, appointing a local practice to provide the service for the Council from the outset. Subsequently, we at Auditing Solutions Limited, were appointed to provide the function to the Council from 2018-2019.

Due to the impact of the Covid-19 pandemic, we have undertaken our review for the year remotely: we wish to thank the Clerk for assisting in the process, providing all necessary documentation in electronic format to facilitate completion of our review for the year and sign off of the Internal Audit Certificate in the year's AGAR. We may have, obviously in the circumstances, reduced the volume of transactions examined, whilst still ensuring governance and financial controls remain effective.

This report records detail of the work undertaken in respect of the 2019-20 financial year which took place on 25<sup>th</sup> April 2020.

## **Internal Audit Approach**

In undertaking the review for the year, 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/Annual Governance and Accountability Return (AGAR). In view of the low number of annual transactions, we have again undertaken direct substantive testing of all receipts and payments for the financial year verifying detail to the relevant underlying documentation.

This report summarises our conclusions on each of the key areas set out in the Internal Audit Report that is required under the AGAR arrangements.

## **Overall Conclusion**

We have concluded that, on the basis of the programme of work undertaken during our audit this year, the Council maintains more than adequate and effective internal control arrangements. We are pleased to acknowledge the quality of records maintained by the Clerk and thank her for her assistance, which has ensured the smooth progress of our review process.

We have completed and signed the 'Annual Internal Audit Report' in the year's AGAR, having concluded that, in all significant respects, the 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.

**This report has been prepared for the sole use of Kirby Bellars 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, for any reason whatsoever, on this report, its contents or conclusions.**

# Detailed Report

## Maintenance of Accounting Records and Bank Reconciliations

The Clerk has maintained the Council's accounting records using spreadsheets as previously, which we consider perfectly adequate for purpose and for a Council of this size. The Council operates a current account with the Bank of Ireland with the spreadsheet detailing all income and expenditure.

Our objective has been to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. We have to date:

- Checked and agreed the opening balance with the 2018-19 closing Statement of Accounts as per the certified AGAR detail;
- Ensured that a full and effective account analysis structure is in place and is appropriate for purpose;
- Ensured that the accounts remain 'in balance' at the end of the period under review;
- Checked and agreed details of transactions in the spreadsheet to the Bank of Ireland bank account statement detail for the year noting that all were complete and accurate and had been prepared in a timely manner;
- Checked that bank reconciliations are prepared; and
- Verified the accuracy of detail in the bank reconciliations as at 31<sup>st</sup> March 2020 ensuring that no long-standing uncleared cheques or other anomalous entries exist.

We note that the Council will be moving to the Unity Bank during the financial year 2020/2021.

### *Conclusions*

***We are pleased to report that no issues have been identified in this area warranting formal comment or recommendation. We have ensured the accuracy of the closing balances as declared in the AGAR***

## Review of Corporate Governance

Our objective 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 and that, as far as we are able to ascertain (as we do not attend Council or Committee meetings), no actions of a potentially unlawful nature have been or are being considered for implementation. We have in this regard:-

- Noted that both Standing Orders and Financial Regulations were reviewed and adopted by Council at their meeting on 9<sup>th</sup> May 2019 (minute 13 refers);
- Further noted that these documents include the latest wording recommended by NALC in respect of the requirements relating to advertising all tenders with an anticipated value in excess of £25,000 to be formerly advertised on the Government "Contract Finder" website;
- Also noted that the Clerk has prepared basic procedures documents which are reviewed and approved by Council annually;

- Examined the minutes of meetings of the Full Council for the year to identify whether any issues arise that may have an adverse effect on the Council's future financial stability with no issues arising, and;
- Further verified that, during the appropriate period in 2019, the Council correctly provided the proper opportunity for the exercise of public rights in accordance with the Accounts and Audit Regulations;

We are pleased to acknowledge compliance with the Transparency Code with all required detail included on the Council's website.

### ***Conclusions and recommendation***

***We are pleased to report that there are no issues arising in this area of our review warranting formal comment or recommendation.***

## **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;
- Members have met their fiduciary duties approving release of each payment in accordance with extant legislation;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The current expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified for periodic recovery.

We have examined the transactions in the cash book for the year to ensure compliance with the above criteria and are pleased to record that, other than one entry not identifying the VAT content of an invoice, no issues have been identified with all the criteria duly met. We understand the Clerk has rectified this entry.

We noted last year that the last VAT reclaim submitted to HMRC was for the period 1<sup>st</sup> January 2016 to 31<sup>st</sup> March 2017 and that the invoices covered by this return were only for the period to 31<sup>st</sup> December 2016. We did suggest that this reclaim be checked to ensure that no invoices have been missed but see no evidence that this has been done. We draw Council's attention to the fact that claims for the refund of VAT can only be made up to three years after the date of the invoice for which the refund is being claimed and strongly recommend that a claim be submitted immediately for the period to 31<sup>st</sup> March 2020. Claims should be made annually thereafter.

### ***Conclusions and recommendations***

*We are pleased to report that, other than the Council apparently being out of time to recover certain VAT repayments, no issues have been identified in this area of our review process warranting formal comment or recommendation.*

*R1. Council should ensure that a VAT reclaim for the period to 31<sup>st</sup> March 2020 is submitted without delay and that subsequent claims should be made on an annual basis.*

## **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 identified and to minimise the opportunity for their coming to fruition. We have:

- Noted that a comprehensive review of the risk register was undertaken and approved by Council at its meeting on 9<sup>th</sup> May 2019 (minute 13 refers);
- Examined the Council's current insurance policy with AXA Insurance and arranged by Came and Company, with cover being provided to 31<sup>st</sup> May 2020 as part of a three year agreement. Public and Employers Liability cover is £10m and Fidelity Guarantee cover is £500k; and
- Noted that the Council does not own any amenities which would be subject to a regular safety inspection.

### **Conclusions**

*We are pleased to report that there are no issues arising in this area of our review warranting formal comment or recommendation.*

## **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 the District Council, 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 that a detailed budget exercise was undertaken and approved by Council at their meeting on 5<sup>th</sup> December 2019 (minute 8 refers);
- Further noted that the 2019/20 precept has been agreed at the same Council meeting held on 5<sup>th</sup> December 2019 at £9,250 (minute 9 refers);
- Considered the appropriateness of the level of general reserves to meet the Council's ongoing revenue spending requirements noting that reserves at the year-end total £11,686 which equates to just over twenty on months average revenue expenditure which is considerable above the generally accepted guidelines of between three and six months' average revenue expenditure;
- Reviewed the year-end budget outturn for any significant unexplained variances with none in evidence; and,

- Noted that Members are provided with a running budget total against the ongoing spend on a regular basis.

### **Conclusions**

*We are pleased to report that there are no issues arising in this area of our review warranting formal comment or recommendation.*

## **Review of Income**

Other than the Precept, the occasional grant, recoverable VAT and bank interest, the Council generally receives no other income.

We have agreed all income reported in the cashbook to bank statements and underlying records for 2019-20, with no issues being identified.

### **Conclusions**

*We are pleased to report that there are no issues arising in this area of our review warranting formal comment or recommendation.*

## **Petty Cash Account**

The Council does not operate a formal petty cash account, any “out-of-pocket expenses” incurred by the Clerk or members being reimbursed each month through the routine payment process, samples of which we have checked and agreed for the year.

## **Review of Staff Salaries**

In examining the Council’s payroll function, we aim to confirm that existing 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:

- Previously noted that the appointment of the new Parish Clerk/Responsible Financial Officer was minuted at the Council meeting held on 31<sup>st</sup> May 2018 (minute 7 refers) and that a Contract of Employment has been issued in respect of this appointment;
- Reviewed the Council’s payroll preparation procedures noting that salaries are calculated by an outside payroll provider;
- Checked to ensure that the Council has reviewed and approved appropriate pay scales for staff agreeing the salaries in respect of the year under review at their meeting on 9<sup>th</sup> May 2019 (minute 14 refers);
- Checked and agreed the amounts paid to individuals by reference to the approved pay rates, examining payments made for the quarter to 31<sup>st</sup> March 2020;
- Ensured that PAYE & NIC deductions have been made accurately by reference to the HMRC Basic PAYE Tools software; and
- Ensured that the appropriate month’s deductions and contributions have been paid over to HMR&C in a timely manner; we understand that this is done by the payroll provider.

We have previously noted that the employee has not opted out of the Government contributory pension scheme and suggest that it be investigated as to whether this is a requirement.

### ***Conclusions***

***We are pleased to report that no matters arise in this area of our review process warranting formal comment or recommendation.***

## **Asset Registers**

The Governance and Accountability Manual requires that all Councils develop and maintain a register of assets identifying detail of all land, buildings, vehicles, furniture and equipment owned by the Council.

We are pleased to note that a formal asset register is in place. We further note that the Asset Register, with two exceptions, has been prepared using purchase cost uplifted or decreased to reflect the acquisition or disposal of any assets during the financial year.

### **Conclusions**

***We are pleased to report that there are no issues arising in this area of our review warranting formal comment or recommendation. We have ensured the accurate disclosure of Assets in the AGAR.***

## **Investments and Loans**

The Council holds no investments or loans. We again take this opportunity to draw the Clerk and Council's attention to a current change in the requirement for production of a formal Investment Strategy: whilst this only becomes mandatory for Councils with retained funds in excess of £100,000, current NALC guidance indicates that, again in line with best practice, all Councils holding funds in excess of £10,000 should also develop an appropriate Strategy. Bearing in mind the balance of monies held by the Council we suggest it would be appropriate to prepare an investment policy.

## **Statement of Accounts and Annual Return**

The 1996 Accounts and Audit Regulations required all Councils to prepare annually a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council's financial affairs.

We have reviewed the Statement of Accounts and AGAR detail prepared by the Clerk/Responsible Financial Officer, as generated from the accounting spreadsheet with no obvious errors or anomalies in the detailed content

### ***Conclusions***

***No issues have been identified in relation to the verification of detail in the Statement of Accounts and AGAR this year.***

*On the basis of our detailed work during the course of the year on the Council's systems of financial control and content of the detailed Statement of Accounts and that summarised detail set out in the AGAR, we have signed off the Internal Audit Report of the AGAR assigning positive assurance in each relevant area.*



Rec. No.	Recommendation	Response
<b>Review of Expenditure</b>		
R1	Council should ensure that a VAT reclaim for the period to 31 <sup>st</sup> March 2020 is submitted without delay and that subsequent claims should be made on an annual basis.	