

Kirby Bellars Parish Council

Internal Audit Report 2021-22

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Consultant Auditor

*For and on behalf of
Auditing Solutions Ltd*

Background and Scope

The Accounts and Audit Regulations introduced from 1st 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.

The year-end internal audit for the 2021-22 financial year has been undertaken 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.

This report records detail of the work undertaken in respect of the 2021-22 financial year which took place on 17th and 18th May and the 18th and 19th June 2022.

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/RFO and thank her for her assistance, and patience with the unavoidable delay of the audit process on our part, 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.

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

Detailed Report

Maintenance of Accounting Records and Bank Reconciliations

The Clerk continues to maintain the Council's accounting records using two well designed Microsoft excel spreadsheets. We consider adequate for purpose and for a Council of this size. The Council maintains two accounts, a current and reserve account, with Unity Bank.

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 verified the opening balance with the 2020-21 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 verified the details of all transactions recorded in the Unity Trust current account spreadsheet cashbook to the corresponding bank statements to the 31st March 2022, noting that all were complete and accurate and had been prepared in a timely manner;
- Checked and verified the details of all transactions recorded in the Unity Trust reserve account spreadsheet cashbook to the corresponding bank statements to the 31st March 2022, 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 the 31st March 2022 ensuring that no anomalous entries exist.

Conclusions

There are no matters arising in this area of our review warranting formal comment or recommendation.

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 the Council continues to remain exempt from Limited Assurance Review;
- Noted that the Council does not meet the eligibility criteria to adopt the General Power of Competence;
- Noted that the Council provided the correct period for the Exercise of Public Rights, publishing the notice for the period of the 13th June to the 17th July 2021 inclusive, being exactly thirty working days, including the first ten working days in July;

- Noted that both Standing Orders and Financial Regulations were reviewed and readopted at the Annual Meeting of the Parish Council on the 24th May 2021, under Minute reference 9;
- Noted that the Clerk/RFO has prepared a comprehensive suite of financial and procedural documents which are reviewed and approved by Council annually;
- Noted that the Council maintains a well-developed, feature and content rich website which is hosted on a secure server and published at <https://www.kirbybellarspc.org.uk/> and contains all the documentation required to comply with the Transparency Code and the current requirements of the Accessibility Act; and,
- Noted that the Council has taken all reasonable steps to ensure continued compliance with the General Data Protection Legislation; and,
- Checked and verified that the Council has fully complied with the Accounts and Audit Regulations 2015.

With particular regard to the Council's website, which we regard as exemplary, we advise that this should be seen as the standard to which all small to medium size councils should work towards attaining.

Conclusions

There are no matters arising in this area of 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 all the transactions in the Unity Trust current account cashbook for the financial year to the 31st March 2022, to ensure compliance with the above criteria and confirm that no issues have been identified with all the criteria duly met.

We are pleased to note that a VAT reclaim has been submitted for the period 1st April 2020 to 31st March 2021 in the amount of £222.20, which was received to bank on the 23rd of August 2021. The Current year VAT reclaim, in the amount of £107.40, will be received and reviewed during the 2022-23 financial year audit cycle.

Conclusion

There are no matters arising under this area of review warranting formal comment or recommendation.

Review of 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 the Council maintains a reasonable and proportionate Health & Safety and Business Risk Register which is appropriate for the size and scope of the Council operations. Members formally reviewed and Adopted the Register at the Annual Meeting of the Full Parish Council on the 24th May 2021, under Minute reference 14;
- Examined the Council's current insurance provision which is serviced via its broker, Came and Co., (Gallagher) with AXA Insurance UK plc., under policy number RGBDX6962034 with the period of cover from the 1st June 2021 to the 31st May 2022.

Key features of cover include:

➤ Employers Liability	£10,000,000
➤ Public Liability	£10,000,000
➤ Hirers Indemnity	£5,000,000
➤ Terrorist Act	£2,000,000
➤ Clean up costs	£1,000,000
➤ Data protection	£1,000,000
➤ Manslaughter costs	£1,000,000
➤ Safety Legislation costs	£1,000,000
➤ Libel & Slander	£500,000
➤ Employee practices	£500,000
➤ Legal Liability	£500,000

We consider this level of cover appropriate to the Council's current and ongoing needs.

- Noted that the Council does not own any amenities which would be subject to a regular safety inspection.

Conclusions

There are no matters arising in this area of review warranting formal comment or recommendation.

Review of 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 the Council has again undertaken a detailed and robust Budget setting and Precept determination process as confirmed during our Review of Minutes;

- Noted as previously reported, that the Budget and Precept were Resolved at the 13th December 2021 meeting of the Full Parish Council, under minute reference 9, with the Budget established in the amount of £9,450 and the Precept established in the amount of £9,250 for the 2022-23 financial year;
- 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 £18,871 (£15,036 prior year) which equates to just over 39 (28 prior year) months average revenue expenditure which is over six times higher than the generally accepted Chartered Institute of Public Finance and Accountancy (CiPFA) guidelines of between three and six months' average prior-year revenue expenditure;
- Reviewed the year-end budget outturn for any significant unexplained variances with none in evidence; and,
- Noted that Members continue to be provided with a running budget total against the ongoing spend on a regular basis.

Conclusions and recommendation

We have noted the very high level of General Reserve held by the Council, technically over three years of reserve funds based on the average rate of prior year expenditure. Such a high level of retained reserve calls into question the Council's Budget setting process which appears to be robust.

Should the Council be planning future expenditure for significant project(s), then these funds should be held in a formally resolved earmarked reserve, ringfenced for that expenditure. This treatment of the Council's reserves will bring them into good order and make the Council's future expenditure plans more transparent.

R1. The Clerk/RFO and Members should ensure that the level of General Reserve is given proper consideration during the Budget setting and Precept determination process, making proper use of earmarked reserves for planned future project expenditure.

Review of Income

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

We have checked and verified all income reported in the cashbook to bank statements and underlying records for 2021-22, 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.

Review of 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.

Conclusions

There are no matters arising in this area of review warranting formal comment or recommendation.

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:

- 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;
- Checked and agreed the amounts paid to individuals by reference to the approved pay rates, examining payments made in July 2021;
- Ensured that, where applicable, PAYE & NIC deductions have been made accurately by reference to the HMRC Basic PAYE Tools software; and
- Ensured that, where applicable, 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.

Conclusions

There are no matters arising in this area of review warranting formal comment or recommendation.

Review of Fixed 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 note that the Council maintains a formal Fixed Asset Register which meets the requirements of the Practitioners Guide. We further note that the Fixed Asset Register, has been prepared using purchase cost uplifted or decreased to reflect the acquisition or disposal of any assets during the financial year.

We confirm that the Fixed Asset Register value recorded in the 2021-22 financial year accounting statements is congruent with that recorded in the Register, in the amount of £22,850 (£22,850 prior-year).

We suggest that consideration be given to keeping a photographic record of Assets. We have found, with other Councils we audit, that such a record can be useful in the event of an insurance claim.

Conclusions

There are no matters arising in this area of review warranting formal comment or recommendation.

Review of Investments and Loans

The Council has no investments and retains all funds under its management in two accounts with the Unity Trust Bank:

- Unity Trust Bank (Current) – Reconciled balance as at the 31st March 2022 £ 6,828.46
- Unity Trust Bank (Reserve) – Reconciled balance as at the 31st March 2022 £12,042.28

As the Council retains less than £85,000 in both accounts that total fund value is protected by the Government’s Financial Services Compensation Scheme.

The Council has no loans in place, either let by it, or to it.

Conclusion

There are no matters arising in this area of our review warranting formal comment or recommendation. However, we take this opportunity to draw the Clerk/RFO and Member’s attention to the current NALC guidance that, in line with best practice, all Councils holding funds in excess of £10,000 should develop an appropriate Investment Strategy.

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.

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NOTE TO REPORT

We confirm that all confidential & sensitive information, supplied for the purposes of this audit including, Personnel Minutes, Payroll and Employment data have been permanently deleted from Auditing Solutions Ltd.’s servers and any printouts made for the purposes of this audit have been destroyed in accordance with the Company’s data and document retention policies and with the prevailing General Data Protection Legislation.

Rec. No.	Recommendation	Response
Review of Expenditure		
R1	The Clerk/RFO and Members should ensure that the level of General Reserve is given proper consideration during the Budget setting and Precept determination process, making proper use of earmarked reserves for planned future project expenditure.	