



Greenham Parish Council

Internal Audit Report 2019-20: Interim update

Chris Hackett

Consultant Auditor

For and on behalf of Auditing Solutions Ltd

Background

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 in relation to our interim visit for the 2019-20 financial year, which took place on 18th December 2019 together with our preparatory offsite work. This report will be updated following our final visit next summer.

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 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 has appropriate and 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 over ten internal control objectives.

Overall Conclusion

We have concluded that, based on our work to date, the Council maintains satisfactory financial systems.

We would like to thank the Clerk and Deputy Clerk for their assistance during our interim visit and request this report is presented to Members and that Members acknowledge receipt of the Report.

This report has been prepared for the sole use of Greenham 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 & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and that no anomalous entries appear in the cash books kept by the Council, which comprise one for each of the bank accounts in place with Lloyds. The records are maintained in an Excel workbook which incorporates a combined reconciliation to the bank statements. At this interim visit we have:

- Agreed the 2019/20 brought forward balances in the two Cash Books to the closing balances at 31st March 2019;
- Ensured the cash books are reconciled to the bank statements at the time of our visit, the most recent reconciliation being for the end of November 2019. This was a combined reconciliation covering the two accounts. We tested the reconciliation to the bank statements;
- Checked all the entries in the current account and deposit account cashbooks to supporting bank statements for the period April to November 2019;
- Reviewed the formulas in the spreadsheet;
- Checked to ensure that an appropriate analysis of receipts and payments is applied in the spreadsheet cashbooks;
- Reviewed the External Auditor's report on the 2018/19 accounts; and
- Discussed arrangements for backing up the accounting records which we understand is done via a cloud each day.

Conclusions

The accounting records are being maintained and kept up to date. We note that bank reconciliations are reported regularly to Members which we regard as good practice. We will extend our testing at our final visit to cover the year end reconciliation and ensure the cash and bank balances are included in the AGAR.

We note a separate tab has been set up in the Excel workbook for the account with the Metro Bank which is being set up currently.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust series of corporate governance policies, procedures and 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:

- Noted that the Council reviewed and re-adopted its Financial Regulations (FRs) in July 2019;
- Commenced our review of the Council minutes for the year to establish whether any issues exist that may have an adverse effect, through litigation or other causes, on the Council's current or future financial stability; and
- Noted that the Council continues to keep its governance arrangements under review and that a new Grants Committee has been set up along with a Grants policy.

Conclusion

The Council has arrangements in place to manage its Corporate Governance. We will extend our review of minutes to cover the full financial year at our final visit.

Review of Expenditure

We have reviewed all payments made during the year to date to ensure that the following criteria were met:

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Payments were supported by suitable documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and / or acknowledgement of receipt where no other form of invoice is available;
- VAT has been calculated correctly and is recovered at appropriate intervals;
- The members at a Council meeting approved each payment; and
- Payments have been correctly analysed in preparation of the year-end Statement of Accounts.

We note that all payments are recorded as approved in the full Council minutes: in examining the documentation, we are pleased to note that members are initialling invoices as evidence of the effective discharge of their fiduciary responsibilities.

The Council purchased defibrillators during the year at a cost of £9,000. To ensure value for money we note that different options were considered in terms of supplier and the Council considered the use and number it was efficient to purchase.

We note that a reclaim of VAT has been completed with the funds received into the Council's bank account in October 2019. The reclaim covered the period up until September 2019.

Conclusions

Based on our work completed to date there are no issues arising in this area. We will review expenditure to 31st March at our final visit querying any large or unusual payments.

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 to minimise the opportunity for their coming to fruition. Consequently, we have:

- Examined the Council's current insurance policy underwritten by Royal Sun Alliance which covers the period to 31st May 2020. The Policy includes; Public Liability cover of £12 million, Employer's Liability £10 million, Fidelity Guarantee at £250,000 and property/buildings cover. We consider cover appropriate for the Council's current requirements; and
- Noted that the Risk Register was formally re-adopted by the Council at the May 2019 meeting of the Full Council.

Conclusions

No issues arise in this area of our review. It is a requirement the Risk Register is reviewed annually, we take this opportunity to remind the Council this needs to be completed again by May 2020.

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 the level of precept being requested: 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 quarterly budget reports are being provided for Council meetings together with other financial information including lists of payments and information on reserves.

Conclusions

No issues arise from our work to date. At our final visit we will review the 2020/21 budget setting process and the 2019/20 outturn and level of reserves.

Review of Income

The Council receives income from limited sources principally in the form of the annual precept, grants and VAT reclaims.

We noted the Council received CIL money from West Berkshire Council of £3,037 in October 2019 which we agreed to a remittance advice. We agreed the receipt of the 2019/20 Precept as recorded in the accounts to the amount set and agreed in the Minutes and to remittance advices from West Berkshire Council.

Conclusions

No issues arise in this area of our review based on our work to date.

Petty Cash Account

We are required, as part of the annual reporting process, to review the soundness of controls in this area of the Council's financial activities. We note that the Council no longer has a petty cash account and that expenses incurred by the Clerk or Deputy are paid via an expense form supported by receipts and subject to approval along with the other general payments.

Conclusion

No issues arise in this area of our review.

Review of Staff 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 HMRC legislation in accounting for the deduction and payment over of income tax and NI contributions and meeting the requirements of the local government pension scheme, as revised in relation to employee contribution banding values from 1st April 2017.

The Council employs two staff with salary payments being calculated by a payroll provider, Clere Bookkeeping. Monthly timesheets are sent to the payroll provider and we understand the Chair is copied into the email. To meet our objectives, we have:

- Reviewed, at our interim visit, the contract of employment for the new Deputy Clerk agreeing the pay point to the monthly payslips;
- Checked the calculation of tax, national insurance and pension contributions as recorded on the payslips where appropriate, for the Clerk and the Deputy, for October, November and December 2019. We note the Deputy Clerk was put on an emergency tax code by the payroll provider and that her deductions have been adjusted. We understand the correct coding is being applied now;
- Agreed the payment of salary and the payment to HMRC and the Pension Provider as recorded in the Cash Book for October, November and December 2019 to the underlying payroll reports; and
- Confirmed salary payments were approved in the minutes;

Conclusions

The Council is maintaining suitable payroll records. There are no matters arising from this area of our review.

Fixed Asset Register

The “Governance and Accountability Manual (G&AM)” requires councils to develop and maintain a register of all assets, recording their value in the AGAR at purchase cost or, where that value is unknown, at an appropriate “proxy” cost as included in the prior year’s Return. We note the fixed asset register has been updated to reflect the acquisition of the defibrillators.

Investments and Loans

The Council holds no investments other than by way of deposit accounts, transaction detail of which has been examined as detailed in the first section of this report. However, we note the Council is setting up an account with the Newbury Building Society. At our final visit we will need to agree the balance to the Building Society’s statement.

The Council has two loans with the PWLB. We have agreed on account repayments made during the period April to November 2019 to PWLB statements. At our final visit we will agree the balance reported in the AGAR to the PLWB balance reported on the Government’s Debt Management Office website.

Conclusions

No matters have been identified in this area of our review to date. We will confirm the disclosure of loans and investments in the AGAR at our final visit.