



Greenham Parish Council

Internal Audit Report 2020-21: 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 review for the 2020-21 financial year, which took place on 19th January 2021 together with our preparatory work. Due to the on-going restrictions arising from the Covid-19 pandemic the review was done remotely. We wish to thank the Clerk for sending all the records to us in electronic format to facilitate our work. We have inevitably reduced some of our testing, but sought to gain sufficient overall assurance. This report will be updated following our final visit in the 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 eleven internal control objectives.

Overall Conclusion

We have concluded that, based on our work to date, the Council overall maintains satisfactory financial systems. We recognise the practical logistical difficulties presented by the lockdowns arising from the Covi-19 pandemic. We have made two recommendations aimed at strengthening financial controls.

We request this report is presented to Members and that Members acknowledge receipt of the Report.

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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 that no anomalous entries appear in the cash books kept by the Council. The records are maintained in an Excel workbook which includes a separate cash book for each of the; Metro current account, the two Lloyds accounts and the Newbury Building society account. The Excel workbook incorporates a combined reconciliation to the bank statements. At this interim visit we have:

- Checked the closing balances for 2019/20 were brought forward into the current year, 2020/21. We noticed that for one account, the Lloyds current account, the bank account balance rather than the cash book balance had been brought forward. We agree a minor adjustment with the Clerk to correct this;
- Ensured the cash books were reconciled to the bank statements at the time of our review, the most recent reconciliation being completed at 1st December 2020. This was a combined reconciliation covering all the accounts;
- Checked all the entries in the Lloyds current account and deposit account cashbooks and the Metro Account cash book to supporting bank statements for the period April to November 2020, agreeing the reconciliation at 1st December;
- We were provided with a scanned copy of the Newbury Building Society account book. The balance could be agreed to the cash book, although as it is a 'book', rather than a statement, it was not possible to see the name of the account holder on the same page as the balance, also the balance in the book was dated 22nd May 2020;
- Reviewed the formulas in the spreadsheet;
- Reviewed the analysis of receipts and payments in the spreadsheet cashbooks;
- Reviewed the External Auditor's report on the 2019/20 accounts, noting no issues were raised; 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. There were no out of date cheques or anomalous adjustments in the reconciliation at 1st December 2020.

We note the Lloyds current account has a nil balance and has been replaced by the Metro account.

Given the difficulties of scanning a Building Society Book for our inspection remotely we will confirm the year end balance at our final visit, for which either the book needs to be updated or a letter confirming the balance be provided by the Building Society. We note that Members asked to see the Book at the meeting of Full Council in October 2020.

We note that bank reconciliations are reported regularly to Full Council meetings 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.

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 considered and re-adopted its Financial Regulations in June 2020 and that it continues to keep its range of policies under review, also that it continues to consider governance matters such as declarations of interest;
- 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
- Confirmed the Council advertised the availability of its 2019/20 accounts for public inspection by posting the notice of Public Rights on its notice board.

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 tested a sample of payments made during the year from April to November 2020. We checked all payments for more than £1,000 together a random sample of smaller ones. Items were selected from the main current account cash book. Our sample totalled £37,849 and represented 81% of non-payroll expenses in the year to 30th November 2020. As our work was done remotely, we focussed on obtaining invoices or supporting documentation, although we also considered the following in relation to our sample:

- 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.

Invoices or other suitable supporting information, for example minutes in respect of grant claims, was scanned to us by the Clerk. Acknowledgements or email receipts were not available for grants. We note payments are recorded as approved in the full Council minutes, although this appears to have been omitted from the minutes for August and September.

We discussed controls over the authorisation of payments with the Clerk noting that two Members continue to sign cheques and that Standing Orders and Direct Debits are approved at monthly meetings.

We note that a reclaim of VAT was completed in respect of the prior financial year with the funds received into the Council's bank account in April 2020. A further reclaim was received in August covering the first quarter of 2020/21, we tested the detail of this claim to the VAT column in the cash book detailing VAT incurred by the Council. We note a further claim is being collated covering the remainder of the financial year. 2019.

Conclusions and recommendation

Based on our work completed to date controls are in place to approve and authorise payments and we recognise the difficulties the Lockdown has presented in continuing the operation of the Council. We make one recommendations which we feel will further strengthen control. We will review expenditure to 31st March at our final visit querying any large or unusual payments.

R1. The Clerk should request email acknowledgements for grants paid from the recipient bodies.

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 Zurich which covers the period to 31st May 2021, cover includes:
 - Buildings cover for the control tower
 - Business interruption insurance
 - Public liability £12m
 - Employers liability £10m
 - Fidelity guarantee £250k; and
- Noted that the Corporate Risk Assessment was formally re-adopted by the Council at the May 2020 meeting of the Full Council. The Corporate Risk Assessment includes financial and operational risks, detailing the impact and mitigation.

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 2021.

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 financial information continues to be provided to Members including finance reports and cash flows. Information includes quarterly budget reports showing actual and predicted spend. We note the Council maintains records to monitor its reserves.

Conclusions

No issues arise from our work to date. At our final visit we will review total spending for 2020/21 against budget and year end reserves. We will then review the budget setting process for 2021/22 which we understand is underway currently.

Review of Income

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

We agreed the receipt of the 2020/21 Precept as recorded in the accounts to the amount set and agreed in the Minutes. As noted previously we have checked the VAT returns.

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.

The Council employs two staff with salary payments being calculated by a payroll provider, (SME Accounting have recently been taken on to do this work). Last year we were advised that monthly timesheets were sent to the payroll provider and we understand the Chair is copied into the email.

To meet our objectives, we have reviewed salary payments for October, November and December 2020, specifically we:

- Noted the pay points for the staff were recorded in the November Council minutes;
- Agreed the calculation of the gross pay per the selected payslips to the hourly rate for the approved pay point multiplied by the hours worked per month;
- Checked the calculation of tax, national insurance and pension contributions as recorded on the payslips where appropriate, for the Clerk and the Deputy;
- Agreed the net pay per the payslips to the amounts recorded in the Cash Book for the three months selected;
- Agreed the monthly payment of pensions to the Pension Administrator as recorded in the Cash Book to the payslips also agreeing the employer's contribution was paid at the correct percentage; and
- Noted the monthly payments to HMRC for the three selected months was £326 per month. Per the payslips this equates to the tax and employee's national insurance for the Clerk. Amounts for employer's national insurance are also due which are £188 a month including a small amount for the Deputy Clerk. These amounts appear not to have been paid in respect of the three months inspected.

Conclusions and recommendation

The Council is maintaining suitable payroll records. The Council needs to confirm it is paying employer's national insurance to the HMRC.

R2. The Council should confirm it is paying employer's national insurance to HMRC.

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.

The Council has two loans with the PWLB. We have tested on account repayments made during the period April to November 2020 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.

Appendix1: Recommendations

Rec. No.	Recommendations	Response
Review of Expenditure		
R1	The Clerk should request email acknowledgements for grants paid from the recipient bodies.	
Review of Staff Salaries		
R2	The Council should confirm it is paying employer's national insurance to HMRC.	