



# **Greenham Parish Council**

*Internal Audit Report 2021-22: Interim update*

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*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 2021-22 financial year, which took place on the 8<sup>th</sup> December 2021 together with our preparatory work. We wish to thank the Clerk providing all the records to facilitate our work. This report will be updated following our final visit next summer, timed to take place after the financial year end closedown and preparation of the Accounts and AGAR.

## **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 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 have made two recommendations aimed at strengthening 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 Lloyds account and the Newbury Building society account. (The Council still has a second Lloyds account, but there have been no transactions this financial year and we understand the Clerk is seeking to close it). The Excel workbook incorporates a combined reconciliation to the bank statements. At this interim visit we have:

- Checked the closing balances as reported in the AGAR for 2020/21 were brought forward into the current year, 2021/22.;
- Ensured the cash books were reconciled to the bank statements/Building Society Book at the time of our review, the most recent reconciliation being completed at 31<sup>st</sup> October 2021. This was a combined reconciliation covering all the accounts. We tested the unpresented cheques listing and agreed the balances;
- Checked all the entries in the cash books for the Metro Account, Lloyds deposit account and Newbury Building Society account to supporting bank/building society statements for the period April to October 2021;
- Reviewed the formulas in the excel workbook;
- Reviewed the analysis of receipts and payments in the excel cashbooks;
- Reviewed the External Auditor's report on the 2020/21 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 31<sup>st</sup> October 2021.*

*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 2021;
- 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 2020/21 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

Our aim in this area of our work is to seek confirmation that:

- 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 for the year-end Statement of Accounts.

We have reviewed all non-pay related payments in the cash book in the period April November 2021 to confirm an invoice, or other suitable documentation, was held and retained on file by the Clerk. No material exceptions were noted.

We discussed controls over the authorisation of payments with the Clerk noting that two Members continue to sign cheques and invoices. In addition, a summary of payments is signed. Further, that payments including Standing Orders and Direct Debits are approved at monthly meetings and recorded individually in the minutes.

We note the VAT reclaimed at the end of 2020/21 was received from HMRC and banked in May 2021. We confirmed a further VAT reclaim had been prepared covering the period to October 2021 and test checked the amounts claimed to the cash book. At the time of our audit the receipt of funds from HMRC was pending.

### ***Conclusion***

***Based on our work completed to date invoices are supported by suitable documentation. We will extend our testing at our final visit querying any unusual variations in spending.***

## **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 31<sup>st</sup> May 2022, cover includes:
  - Buildings cover for the Control Tower
  - Business interruption insurance
  - Cover for equipment fixtures and fittings
  - Public liability £12m
  - Employer's liability £10m
  - Fidelity guarantee £250k, cash held at the time of the audit was some £300,000; and
- Noted that the Corporate Risk Assessment was formally re-adopted by the Council at the May 2021 meeting of the Full Council. The assessment identifies risk, analyses the potential impact and defines the mitigation. It includes financial as well as operational risks.

### ***Conclusion and recommendation***

***The Council has arrangements for managing risk. Control would be strengthened if fidelity guarantee cover were brought in line with regular cash holdings which is considered good practice.***

***R1 The Council should consider increasing its fidelity guarantee cover in line with its regular cash holdings. At the time of our review cash balances totalled some £300,000.***

## **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 2021/22 Precept as recorded in the accounts to the amount set and agreed in the Minutes.

We agreed the amount recorded in the accounts in respect of CIL grant received in the year to date, £50,582, to email notifications from West Berkshire Council.

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 are paid via an expense form supported by receipts and subject to approval along with the other general payments. As part of our payment testing, we checked the Clerk's expense claim in October for £267 to supporting documentation.

### ***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.

At the time of our review the Council employed one officer, the Clerk, with salary payments being calculated by a payroll provider, (SME Accounting). To meet our objectives, we have reviewed salary payments July and August 2021 as a sample, specifically we:

- Noted the payslips and payroll reports are signed by two Members and that amounts paid are recorded in the minutes;
- Checked the calculation of tax, national insurance and pension contributions as recorded on the payslips for the Clerk;
- Agreed the net pay per the payslips to the amounts recorded in the Cash Book for the months selected;
- Agreed the 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
- Agreed the payment to HMRC for the selected months to the underlying payroll records.

### ***Conclusion***

*The Council is maintaining suitable payroll records. We will extend our review of monthly pay to the end of the financial year at our final review, querying any variations.*

## **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 2021 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.

### ***Conclusion and recommendation***

***The Council is holding significant funds in its current account, £144,000.***

***R2 The Council should consider whether it needs to move funds to a deposit account.***

**Appendix1: Recommendations**

<b>Rec. No.</b>	<b>Recommendations</b>	<b>Response</b>
<b>Assessment and Management of Risk</b>		
R1	The Council should consider increasing its fidelity guarantee cover in line with its regular cash holdings. At the time of our review cash balances totalled some £300,000.	
<b>Investments and Loans</b>		
R2	The Council should consider whether it needs to move funds to a deposit account.	