

Tring Rural Parish Council

Internal Audit Report 2019-20

Sally King

*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). Auditing Solutions Ltd were appointed to provide the service for the 2019-20 financial year.

Internal Audit Approach

In undertaking the review for the year, we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts and Annual Governance and Accountability Return (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' in the Council's AGAR process which requires independent assurance over several internal control objectives.

Overall Conclusion

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

We have completed and signed the 'Internal Audit Report', having concluded that the control objectives set out in that Report have been achieved within the financial year to a standard adequate to meet the needs of the Council.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Council uses a spreadsheet to record detail of transactions during the year, which we consider appropriate given their relatively low volume. There are two bank accounts with Unity Trust in operation, a current account and an instant access account.

- Reviewed the 2019-20 opening balance detail with that in the certified 2018-19 Statement of Accounts and Annual Return;
- We are pleased to note that the cashbook is routinely reconciled to bank statements and have checked and agreed the closing reconciliation as at 31st March 2020 to the Unity Trust bank statements.
- Verified the year-end bank balances for all Unity Trust bank accounts account, ensuring the accurate disclosure of the combined balance in the year-end Accounts & AGAR.

Conclusions

We are pleased to report that there are no issues in this area of our review process warranting formal comment or recommendation. We have verified the accurate disclosure of year-end balances in the AGAR.

Review of Corporate Governance

Our objective is to ensure that the Council has robust corporate governance documentation and processes in place, and that, as far as we may reasonably be expected to ascertain (as we do not attend Council or Committee meetings) all meetings are conducted in accordance with the adopted Standing Orders and no actions of a potentially unlawful nature have been or are being considered for implementation.

We are pleased to note that both Standing Orders (SOs) and Financial Regulations (FRs) were reviewed by the Council and re-adopted at the May 2019 meeting.

We have examined the Council's minutes for the year to ensure that no legal or financial issues exist or are developing that may have an adverse effect on the Council's financial stability either currently or in the foreseeable future and are pleased to record that no such matters were identified.

We have reviewed the Council's website and are pleased to acknowledge compliance with the disclosure requirements of the Transparency Code. We also note that the external auditor's report, issued since our last visit, had no matters regarding the Councils accounts and governance.

We thank the Chairman for completing our "Corporate Governance Questionnaire", which aims to afford us further assurance as to the soundness of the Council's overall governance arrangements

Conclusions

We are pleased to report that no significant issues have been identified in this area of our review process warranting formal comment or recommendation.

Review of Expenditure and VAT

Our objective is to confirm that:

- Payments have been made in accordance with the Council's approved procedures and budget for the financial year;
- 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, where no other form of invoice is available;
- VAT has been calculated correctly and is recovered at appropriate intervals;
- The Council has formally approved each payment;
- Payments have been correctly analysed in the cashbook and year-end Statement of Accounts prepared for members; and
- Section 137 payments have been identified in the cashbook and are within the Council's spending limit.

As part of our payment review we have examined a sample of 18 cashbook transactions. Our test sample totals £21,224 equating to 71% of all non-salary related payments for the year, we are pleased to note they complied to the above criteria.

Conclusion

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

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 any risks identified in order to minimise the opportunity for their coming to fruition.

We note that the Council Risk Register has been updated and formally approved at the meeting held in March 2019, this will be reviewed again when the Covid-19 restrictions are lifted.

The Council's insurance cover is provided by AXA: we have examined the policy schedule for 2019-20, with both Public and Employer's Liability at £10 million and Fidelity Guarantee cover of £150k., which we consider appropriate for the Council's present requirements

We also note that the Council's playgrounds are subject to an annual inspection by RosSPA, approved at the May 2019 meeting (minute ref 19/70).

Conclusions

We are pleased to report that no matters have arisen from this review area requiring 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 of the precept to be submitted to the parent Council and 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.

We are pleased to note that, at their meeting held on 8th January 2020, Council agreed the detailed budget for 2020-21 and also agreed that the precept for 2020-2021 be set at £27,227 minute ref. 20/7. The level of reserves held was also discussed at this meeting.

Conclusions and recommendations

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

Review of Income

The Council has relatively limited sources of income, primarily the annual precept, grants and recovered VAT, supplemented by rentals, cemetery income, and a small amount of bank interest.

Conclusions

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

Petty Cash Account

The Council does not operate a petty cash account: the clerk reclaiming any out-of-pocket expenses as and when they are incurred.

Salaries and Wages

In examining the Council's payroll function, we aim to confirm that extant 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, together with meeting the requirements of the local government pension scheme (where applicable).

Payroll is outsourced to Palmers Business Services, the Clerk and other staff are then paid monthly by bank transfer.

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 all councils to 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 the Clerk had prepared a detailed asset register on an excel spreadsheet which has been updated to include additions and disposals in 2019/20.

Conclusions

We are pleased to report that there are no significant issues arising in this area of our review process warranting formal comment or recommendation. We have ensured the appropriate recording of these assets in the AGAR.

Investments and Loans

Our objectives here are to ensure that the Council is “investing” surplus funds, be they held temporarily or on a longer term basis in appropriate banking and investment institutions, that an appropriate investment policy is in place; that the Council is obtaining the best rate of return on any such investments and that interest earned is brought to account correctly and appropriately in the accounting records.

We note the Council has a Public Works Loan outstanding and has requested a balance from the PLWB with the view to early settlement. The Council should ensure that the correct outstanding balance as at 31st March 2020 is recorded on the Agar.

Conclusions

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

Statement of Accounts and AGAR

The AGAR now forms the Council’s statutory Accounts subject to external audit scrutiny and certification. We have reviewed and verified the accuracy of detail contained in the AGAR Section 2 by reference to the financial information set out in the spreadsheet cashbook.

Conclusions

We are pleased to report no issues have been identified in this areas of our review process warranting formal comment or recommendation and, on the basis of our review work, we have completed the Annual Internal Audit Report of the year’s AGAR assigning positive assurances in each relevant area and would ask that we be provided with detail of the completed Sections 1 & 2 once they have been adopted by Council and been signed off by the Chairman and Clerk/RFO.