

Public Sector Audit

Saxby All Saints Parish Council

Internal Audit Report for the year ended 31 March 2021

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Introduction

Part 2, paragraph 5 (1) of the Accounts and Audit Regulations 2015 imposes a duty on Local Councils to “undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

Internal audit is a key component of the system of internal control. The purpose of internal audit is to review whether the systems of financial and other controls over a council's activities and operating procedures are effective.

At the request of the council I have conducted an Internal Audit review of the council's accounting records in respect of the financial year ended 31 March 2021. I have acted independently and, on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in place during the financial year.

The audit has been carried out in accordance with the council's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions and recommendations have been recorded in the table below.

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Prioritisation of recommendations

In accordance with good internal audit reporting practice and the Governance and Accountability for Local Councils Practitioners Guide, the recommendations contained in this report have been prioritised. The following 'traffic light' system for the prioritisation of recommendations has been adopted: Page | 3

- Significant weakness in internal control requiring urgent attention.
- Moderate weakness in internal control requiring attention within the current year.
- Minor weakness in internal control, or matters of good practice the council may wish to consider, to be addressed within the current year.

Distribution List

Chairman of the Council

All Members of the Council

Clerk to the Council

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The findings of the audit are summarised below

	Test	Findings and Recommendations
1	Have appropriate books of account been properly maintained throughout the year?	<p><u>Appropriate accounting records</u></p> <p>Findings The cash book is maintained on spreadsheets on a receipts and payments basis and is arithmetically correct. Separate monthly spreadsheets are consolidated into a final year-end summary for year-end purposes.</p> <p>It is comprehensively analysed for the purpose of completing the Annual Governance and Accountability Return (AGAR). It is noted that "mileage costs/tolls" is separately analysed and correctly not included with "staff costs" in accordance with revised Government Guidance. No such costs have been incurred during the year, however.</p> <p>Monthly and a year-end bank reconciliation have been performed and reconciliations are presented to each meeting of the council.</p>
2	Have the council's Financial Regulations and Standing Orders been formally adopted and complied with?	<p><u>Adherence to Financial Regulations and Standing Orders</u></p> <p>Findings The council's Standing Orders and Financial Regulations were reviewed and approved at the Annual Council meeting held on the 20th May 2020. They are both the latest NALC Models.</p>
3	<p>Are payment controls effective and VAT properly accounted for?</p> <p>Has the council recorded s137 expenditure separately and is it within the statutory limit?</p>	<p><u>Adequate payment controls</u></p> <p>Findings I have tested all council payments during the year to ensure that there is a fully approved and authorised invoice, the payment appears in the cash book and that it has been authorised by council.</p> <p>At the council meeting held on the 16th September it was resolved to pay a grant of £400 to Saxby All Saints PCC for grounds maintenance. The council is aware of previous advice on this matter and resolved to review this again in 2021.</p>

		<p>A separate account has been established for s137 expenditure and the total of £500 made during the year is well within the statutory limit.</p> <p>I have reviewed payments for occurrence, completeness, accuracy, correct year of account, compliance with Financial Regulations and classification in the council's accounts.</p> <p>I have checked that VAT has been identified, correctly recorded and reclaimed. It was noted that, on one occasion, VAT has been recorded in the cash book and subsequently reclaimed, in the absence of an official VAT receipt. A Mastercard receipt was submitted as evidence of the purchase of plants. This type of receipt does not, however, record the supplier's VAT registration number as required by HMRC under their simplified invoice rules for purchases of less than £250.</p> <p>The two-signature rule has been observed and evidenced by the signatories initialling the cheque stubs.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The council should only record the VAT element of purchases when it is in possession of an official VAT receipt or invoice.
4	<p>Has the council assessed the significant risks in delivering its activities and services and regularly reviewed the adequacy of these assessments?</p> <p>Is insurance cover appropriate and adequate?</p> <p>Are financial controls documented and regularly reviewed?</p>	<p><u>Assessment of significant risks</u></p> <p>Findings</p> <p>The council maintains a formal Risk Assessment Register which was reviewed and adopted at the council meeting held on the 10th June 2020.</p> <p>The council owns a monument, notice board, bus shelters, a telephone box and items of street furniture. Evidence of two inspections of the council's assets have been provided to audit; one undertaken during October 2020 and one on the 7th February 2021. The Clerk has confirmed that bi-monthly checks are carried out but the documentation in support of the checks is not always returned to the Clerk for review and filing. It is important that such documentation is maintained by the Clerk as evidence of routine inspection in the event of an incident or claim against the council.</p>

		<p>I have reviewed the council's insurances and the indemnity limits are considered to be adequate.</p> <p>The council's electronic records are protected by backing up electronic data daily to cloud storage and monthly to external hard drives, one of which is always stored offsite. The Clerk has confirmed that the council's computer and external hard drives are password protected.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● All detailed inspection sheets should be returned to the Clerk in a timely manner for review, and completion if remedial action is required. ● The inspection sheets should be signed by the Councillor completing the checklist and they should be signed and dated by the Clerk as evidence of review. They should be maintained in the Clerk's office as evidence in the event of an incident or claim against the council and forwarded to audit for review and verification purposes.
5	<p>Has the annual precept requirement resulted from an adequate budgetary process?</p> <p>Has progress against budget been regularly monitored and reported and were reserves appropriate?</p>	<p><u>Adequate budgetary process</u></p> <p>Findings</p> <p>The council prepared a detailed annual budget in support of its Precept. The Council Tax Authority's Precept remittance advice agrees to the income received and the cash book.</p> <p>Detailed budget monitoring reports, which compare original budget to actual expenditure to date, have been presented to each council meeting.</p> <p>The council's balances totalled £7,920 at 31/03/21, comprising £3,425 which is earmarked for projects and liabilities and a general reserve of £4,495. The general reserve represents 66% of the Precept and is considered to be adequate for a council the size of Saxby All Saints Parish Council.</p>

6	<p>Was all expected income fully received in accordance with the current scale of charges, properly accounted for and promptly banked?</p> <p>Were security controls over cash and cash equivalents effective?</p>	<p><u>Adequate income controls</u></p> <p>Findings Apart from the Precept, Council Tax Grant and a VAT refund the council also received a donation.</p> <p>Documentation in respect of the Precept, Council Tax grant and the VAT refund from HMRC has been agreed to the income received and it has been properly accounted for in the council's records. The donation received agrees to supporting documentation and the cash book and bank.</p>
7	<p>Were petty cash payments appropriate and supported by receipts?</p> <p>Was all expenditure approved and reported to members?</p> <p>Has VAT been correctly accounted for?</p>	<p><u>Appropriate petty cash controls</u></p> <p>Findings The council does not maintain a petty cash system.</p> <p>Any small items of expenditure are reimbursed to the Clerk and Council Members as part of the normal payment process. An issue regarding the recovery of VAT was identified and noted in section 3 of this report.</p>
8	<p>Do all employees have contracts of employment with clear terms and conditions?</p> <p>Are salaries to employees and all other payments and allowances paid in accordance with council approvals?</p> <p>Has PAYE and NI been correctly deducted and paid to HMRC?</p>	<p><u>Adequate payroll controls</u></p> <p>Findings The Clerk has a formal contract of employment with clear terms and conditions.</p> <p>I have agreed all salary and allowances payments to the Clerk to the original contract of employment and an authorised change in terms and conditions during the year and the 2020/21 NJC pay award.</p> <p>Salary payments have been subject to PAYE and NI regulations during the year.</p>

9	<p>Is the Asset and Investment Register complete and accurate and reviewed on a regular basis?</p>	<p><u>Appropriate recording of assets</u></p> <p>Findings The council maintains a register of all material assets owned or in its care.</p> <p>The basis of valuation of the assets shown in the register is cost when known, or a nominal value of £1 in accordance with the guidelines contained in NALC/SLCC Governance and Accountability Guide for Local Councils.</p> <p>The council does not hold any investments.</p> <p>No purchases were made during the year which needed to be added to the register.</p> <p>The total value shown on the asset register as at the 31st March 2021 agrees to the declaration in box 9, section 2 of the Accounting Statements.</p>
10	<p>Were bank reconciliations performed on a regular and timely basis?</p> <p>Has a year-end reconciliation been performed and balanced?</p> <p>Have all bank reconciliations been reviewed by an appointed member and evidenced as such?</p>	<p><u>Adequate bank reconciliations</u></p> <p>Findings Monthly bank reconciliations have been prepared. They are presented in the recommended format and do not contain any unusual or balancing figures.</p> <p>Each of the reconciliations has been signed as authorised by the Chairman. It is noted that the Chairman also signs the respective bank statements as evidence that the reconciliations and the statements are in agreement. This is considered to be best practice and part of the council's overall financial control.</p> <p>The reconciliations have been presented to council monthly as part of the Finance Reports and minuted as such.</p>

11	<p>Were Accounting statements prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate, were debtors and creditors properly recorded? Has the previous Internal Audit Report been submitted to council and actioned as necessary?</p>	<p><u>Correct accounting basis and previous Internal Audit Report actioned</u></p> <p>Findings The year-end statements have been prepared on the correct accounting basis (Receipts and Payments) and, therefore, debtors and creditors have not been included.</p> <p>The statements agree with the cash book and there is an audit trail from underlying financial records to the year-end statements.</p> <p>The 2019/20 Internal Audit Report was presented to the Annual Council meeting held on the 20th May 2020 and it was agreed to adopt the recommendations.</p>
12	<p>If the council certified itself as exempt from an External Audit Limited Assurance Review last year, has it met the exemption criteria and correctly declared itself exempt?</p>	<p><u>Exemption Certificate</u></p> <p>Findings Section 2, Accounting Statements, of the Annual Governance and Accounting Return Part 2, identified that the council's gross income for last year or gross annual expenditure for the year did not exceed £25,000.</p> <p>The council confirmed, at the Annual parish Council meeting held on the 20th May 2020, that the exemption criteria identified on the Certification of Exemption for last year were fully met.</p>
13	<p>Did the council publish information on a website/webpage, up to date at the time of the internal audit, in accordance with the Transparency code for smaller authorities?</p>	<p><u>Transparency Code</u></p> <p>Findings The council's gross income for last year or gross annual expenditure for the year did not exceed £25,000 and hence the council is subject to the Transparency Code for Smaller Councils.</p> <p>I have reviewed the council's website and confirmed that the Parish Council published the required information in accordance with the Smaller Authorities Transparency Code, except for the publication of the actual dates on which the expenditure was incurred. The Clerk is aware of this and is taking action to correct</p>

		<p>the omission.</p> <p>It is noted that, the requirement for the council to publish councillors' representation on outside bodies (if nominated by the council) is satisfied as this information is contained within the council's minutes.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The council should review the information it publishes on its website to ensure that it is fully in accordance with the requirements of the Transparency Code for Smaller Authorities. ● For clarity and ease of reference the council may wish to consider publishing councillors' representation on outside bodies (if nominated by the council) with the councillor details, under the councillor tab on the website.
14	Did the council correctly provide, during the summer, the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations 2015?	<p><u>Exercise of Public Rights</u></p> <p>Findings</p> <p>I have confirmed by a review of the council's website that, during the summer of 2020, the council correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the 2015 Accounts and Audit Regulations.</p>
15	Did the council comply with the publication requirements for the previous year's AGAR?	<p><u>Publication Requirements</u></p> <p>Findings</p> <p>I have reviewed the council's website and confirmed that the council published the correct documents as required by the Accounts and Audit Regulations 2015 (as amended by S.I. 2020/404 - The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020).</p>
16	Has the council met its responsibilities as a Trustee?	<p><u>Trustee responsibilities</u></p> <p>Findings</p> <p>I have seen no evidence that the council has responsibility for Trust Funds and the Clerk has confirmed that this is the case.</p>

Executive Summary

The accounts and governance arrangements of the council have continued to be maintained to a very high standard and the assistance of the Clerk of the council in the completion of this audit was much appreciated.

The internal financial control environment within the council is excellent and the consideration and adoption of the above recommendations will serve to further enhance and strengthen the systems, procedures and governance arrangements already in place.

The Clerk is to be congratulated on the continuing maintenance of high standards of governance and financial control whilst operating under very difficult circumstances during the current pandemic.

The Internal Audit has been conducted in accordance with the Governance and Accountability for Local Councils – Practitioners Guide 2020.

I confirm that I have no relationship or interest, financial or otherwise, with any member or officer of the council.

Richard Dixon

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5th May 2021

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