



Meppershall Parish Council

Internal Audit Report 2021-22

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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 Return (AGAR).

This report sets out the work undertaken in relation to the 2021-22 financial year which took place on 25th April 2022.

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/Annual Return (AGAR). Our programme of cover has again been designed to afford appropriate assurance that the Council's financial systems remain robust and 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 Annual Return (AGAR), which requires independent assurance over a number of 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 commend the Clerk for the excellent records kept by her and thank her for her assistance during our audit, which has ensured the smooth progress of our review process.

We have completed and signed the "Annual Internal Audit Report" in the year's AGAR, having concluded that the control objectives set out in that report were being achieved throughout the financial year to a standard adequate to meet the needs of the Parish Council.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Clerk has continued to use the Alpha software to maintain the Council's accounting records for the year: we consider the software to be more than adequate for the needs of the Council, being able to provide not only financial accounting information, but also detailed budget performance reports at any stage of the financial year.

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. To that end, we have: -

- Ensured that the 2020-21 certified closing balances have been rolled forward correctly as opening balances in the 2021-22 Alpha accounting software.
- Ensured that an appropriate coding structure remains in place to provide the necessary information for inclusion in the year-end Statement of Accounts;
- We checked and agreed the financial transactions as recorded in the Alpha accounting software to the supporting for both Unity Trust bank account statements for 2021-22 with no issues arising.
- Verified detail of the year-end bank reconciliations for both accounts to 31st March 2021 to the supporting Unity Trust bank statements.

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. We have ensured the accurate disclosure of year-end balances in the Statement of Accounts and AGAR.

Review of Corporate Governance

Our objective in this area is to ensure that the Council have a robust regulatory framework 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 note that both Standing Orders and Financial Regulations have been reviewed on and adopted at the Council Meetings held on 10th May 2021 minute refs 638c iv and v respectively.

We have reviewed the Council's minutes for the year to determine whether any issues exist that may have either a legal or financial impact on the Council and its future financial stability, also considering whether any actions have been taken or are proposed that might result in ultra vires action or expense with no obvious issues arising.

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 concerns have been identified in this area of our review process warranting formal comment or recommendation.

Review of Expenditure & VAT

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets.
- 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.
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount.
- The correct analysis has been applied in the Alpha cashbook to invoices when processed; and
- Section 137 payments have been identified in the cashbook and are within the Council's spending limit.
- VAT has been appropriately identified and recorded in such a manner to allow for its periodic recovery.

As part of our payment review, we have examined a sample of 24 cashbook transactions. Our test sample totals £29,028.35 equating to 75% of all non-salary related payments for the year, we are pleased to note they complied to the above criteria.

We note that internet banking is now used for virtually all payments with Council approving the payments, the Clerk inputting the payments on to the Unity Trust internet banking site, these payments being authorised separately by 2 Councillors. Direct Debit and Standing Order payments were approved at the meeting held on 12th April 2021 minute ref 621. Bank reconciliations and bank statements are reviewed and signed monthly by 2 Councillors.

We also note that VAT reclaims are submitted to HMRC in a timely manner.

Conclusions.

We are pleased to report that no concerns have been identified 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 those risks in order to minimise the opportunity for their coming to fruition. We have: -

- Noted that the Council uses LCRS software for risk assessments. The detailed report for 2021-22 was produced and was formally readopted Councillors at the 14th of March 2022 meeting.
- Also note that the Council's insurance cover is provided by Zurich plc and have duly examined the current year's policy schedule which is in force until 30th September 2022 to ensure that appropriate cover is in place, noting that both Public and Employer's Liability remain at £12 million and £10 million respectively whilst Fidelity Guarantee stands at £250,000.
- Further noted that the Council play area is inspected by the Community and Environment officer on a weekly basis. Additionally, there is an annual inspection undertaken by a RoSPA accredited contractor.

Conclusions.

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

Budgetary Control and 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 level of precept to be drawn down from the District Council: 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. To meet this objective, we have.

- Confirmed that the budget and precept deliberations for 2021-22 were completed, with a precept of £59,235 being approved by Council at its meeting on 10th January 2022 minute ref 735 b (iii). This represents an increase of 2% on the previous year.
- Reviewed the level of retained funds at the year-end, assessing their adequacy to meet the Council's ongoing revenue spending requirements. As of 31st March 2022, the Total Reserve balance stood at £179,122 of which £140,143 is earmarked.

Conclusions

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

Review of Income

The Council has received, in addition to the annual precept, income from developers, bank interest and allotment rentals.

The allotments are managed using the RBS software system. Tenancy agreements and invoices are posted to the plot holders annually. The council now require a deposit of £50 for new plot holders, we are pleased to note this is then held as an earmarked reserve on the balance sheet.

We have reviewed the financial ledger detail for all other income sources to ensure that no obvious omissions or variances between the years have arisen.

Conclusions

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

Petty Cash Account/Clerk's Expenses

The Council does not operate a petty cash account; any out-of-pocket expenses incurred by the clerk being repaid in conjunction with her monthly salary.

Conclusions.

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

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 Employee Rights Act 1998 and the requirements of HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the revised local government pension scheme. We have: -

- Reviewed the Council's payroll preparation procedures.
- Noted that the payroll is processed by the Clerk using the HMR&C Basic PAYE Tools software.
- Checked to ensure that any enhanced overtime hours are paid in accordance with appropriately prepared and certified time records.
- Checked to ensure that Income Tax and NIC deductions have been made applying the appropriate PAYE codes and NIC Tables.
- Ensured that the appropriate deductions and contributions have been paid over to HMRC in a timely manner; and,
- Verified that the appropriate net pay has been paid to each employee for the month in accord with the summary payments listing and relevant cashbook and bank statement entries.
- Noted that the Clerk's pension is paid by monthly standing order to Standard Life, an adjustment is made annually to take into account any overtime /extra hours worked.

Conclusions

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

Fixed Asset Register / Inventory

The Governance and Accountability Manual requires all councils to maintain a register of their assets. We are pleased to note the existence and maintenance of a suitable register of the Council's Fixed Assets on a detailed excel spreadsheet which is reviewed on an ongoing basis by the Clerk and Finance Working Group. Any adjustments are approved by Full Council. The register has been updated to include additions and a disposal in 2021-22.

Conclusions

We are pleased to report that no issues have been identified in this area of our review process warranting formal comment or recommendation; we have verified that the correct values have been accurately reported in the year's AGAR.

Investments and Loans

The Council has no funds in investments, nor has it any loans payable by, or to it. We are pleased to note the Council has adopted an investment strategy.

Statement of Account & AGAR

The Accounts and Audit Regulations require all Councils to prepare annually a Statement of Accounts in the AGAR, which now forms the statutory Accounts subject to external audit scrutiny and certification.

We have checked and agreed entries in the Statement of Accounts generated by the accounting software to the underlying Trial Balance and other documentation provided. Similarly, we have checked and agreed the financial data reported to the AGAR.

Conclusions

No issues have been identified in relation to the verification of detail in the Statement of Accounts and AGAR this year.

Based on our detailed work during the course of the year on the Council's systems of financial control and content of the detailed Statement of Accounts and that summarised detail set out in the AGAR, we have signed off the Internal Audit Report of the AGAR assigning positive assurances, in each relevant area.