

Public Sector Audit

Sancton 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.

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 18th 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 expenditure within the year. All payments were appropriate and have been agreed to the payment schedules which are included in the minutes presented to council.</p> <p>I have reviewed and agreed the payments for occurrence, completeness, accuracy, correct year of account, compliance with Financial Regulations and classification within the council's accounts.</p>

		<p>VAT has been correctly identified and recorded in the cash book for inclusion in the reclaim from HMRC. It is noted that the invoice from Zoom does not include the company's VAT registration number which is normally required to enable the council to recover the VAT element of the payments it makes. The Clerk has provided an explanation of this and provided a VAT registration number for the company. I have entered the VAT number into the HMRC VAT number checking tool and it does not recognise it.</p> <p>No expenditure has been incurred in respect of the statutory power s.137 of the 1972 Local Government Act during the year.</p> <p>The two-signature rule has been observed by the council and evidenced by the cheque counterfoils being initialled by two signatories.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● The council should contact HMRC to: <ul style="list-style-type: none"> • Check whether the VAT registration number provided for Zoom is a valid UK registration number, and • If it is, whether the council can recover the VAT element of these invoices in the absence of the VAT registration number being identified on the 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's Risk Assessments and Health and Safety Policy were reviewed and approved by council on the 18th May 2020.</p> <p>The council maintains detailed Risk Assessments for the Houghton Lane Play Area and the Back Field, Village Field, the pond, other areas and assets and financial and general liabilities. In December the council also reviewed and approved a Covid 19 Play Area Risk Assessment.</p> <p>The Play Area continued to be monitored weekly, except for periods when it was closed, by a Council Member and annually by an independent company. Inspections are reported to council and remedial action is taken as</p>

		<p>necessary. The Play Area weekly monitoring is recorded on Play Area Checklists which include provision for the recording of action taken and date completed.</p> <p>It is noted that on the 19th October 2020 the council agreed that all other land and assets would be inspected twice each year and inspection sheets would be completed. The minutes of the meeting held on the 18th January 2021 confirmed that this be deferred, pending a site visit by all councillors, and the matter be considered again in June 2021.</p> <p>I have reviewed the council's insurance cover and confirm that the levels of indemnity provided by the policy are 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>
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.</p> <p>Detailed budget monitoring reports (Financial Summaries) are presented to each council meeting and are signed by the Chairman. They identify expenditure to date, the original budget for each budget line and the balance remaining.</p> <p>Year end balances were £35,589 as at 31/03/21. The balances comprise earmarked reserves of £23,500 for the car park and general reserves of £12,089. General reserves equate to 92% of the 2020/21 Precept which is considered to be prudent for a council the size of Sancton 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 The Precept income of £13,020 agrees to the cash book and the bank.</p> <p>The council also received income in respect of two HMRC VAT reclaims, the cemetery and ERYC grants.</p> <p>I have checked and agreed all income received during the year to supporting documentation and the revised cemetery Scale of Charges that was approved on the 18th May 2020.</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 separate petty cash system.</p> <p>All petty expenditure incurred by the Clerk and Members of the council is reclaimed and reimbursed through the normal payments system and is authorised by council together with all other council expenditure. VAT expenditure has been separately analysed and identified in the cash book.</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 which contains clear terms and conditions.</p> <p>I have agreed all salary and allowances payments to those approved by the council and the 2020/21 NJC pay award.</p> <p>Salary payments have been subject to PAYE and NI regulations, but no statutory deductions were due to HMRC.</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</p> <p>The Asset Register is in the correct format and identifies the council's assets, date acquired (if known), the custodian, the purchase price (or nominal value if not known), the valuation for both insurance and Annual Return purposes and details of any disposals.</p> <p>The register was reviewed and approved at the Annual Council meeting held on the 18th May 2020.</p> <p>Some of the assets purchased during the year have been added to the register at the correct valuations. The purchase of a shredder and a History Board had not been added at the time of the audit, however. Also, it is not known whether the value of the Balance Beam, which was destroyed during the Spring of 2020 (valuation of £515) has been deducted from the total valuation of the play equipment.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The total of the council's assets as at 31st March 2021 requires amendment to reflect the purchase of a shredder and a history board during the year; also, if not already done so, the value of the Balance Beam should be deleted from the play area equipment valuation and the total on the register.
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</p> <p>Monthly bank reconciliations have been prepared. They are presented in the recommended format to include both of the council's bank accounts 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?</p> <p>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</p> <p>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 declaration of assets in box 9 on the Accounting Statement agrees with the total of the Asset Register. However, as recommended in section 9 of this report, the total on the register requires amending to reflect the purchase of a shredder and a history board during the year; also, if not already done so, the value of the Balance Beam should be deleted from the play area equipment valuation and the total on the register.</p> <p>The Internal Audit Report in respect of 2019/20 was reported to the Annual Meeting of the council on the 18th May 2020 and the recommendations were noted.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The declaration in box 9, Fixed Assets, on the year-end Accounting Statement should be amended to agree to the amended total valuation on the Asset Register as at the 31st March 2021.
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</p> <p>Section 2, Accounting Statements, of the Annual Governance and Accounting Return Part 2 in respect of 2019/20, 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, at its Annual Meeting held on the 18th May 2020, confirmed that the exemption criteria identified on the Certification of Exemption for last year were fully met.</p>

13	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><u>Transparency Code</u></p> <p>Findings</p> <p>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 actual date on which each item of expenditure was incurred. The Clerk is aware of this and is taking action to correct 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>Recommendations</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 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 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 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

Public Sector Audit

6th May 2021

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