

## **Crudwell Parish Council**

*Internal Audit Report 2019-20*

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*Chris Hackett*

*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. The results of our work and a summary of the Council's accounts is reported each year in the Annual Governance and Accountability Return (AGAR).

This report sets out the work undertaken in relation to the 2019-20 financial year. Due to the impact of the Covid-19 pandemic, we have undertaken our review for the year remotely: we wish to thank the Clerk for enabling the process, providing all necessary documentation in electronic format to facilitate completion of our review. We have, obviously in the circumstances, reduced the volume of transactions examined, whilst still ensuring governance and financial controls remain effective.

## **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 / AGAR. Our programme of cover has 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' which is part of the AGAR process and requires independent assurance over eleven internal control objectives.

## **Overall Conclusion**

We have concluded that, based on the satisfactory completion of our annual programme of work, the Council has maintained satisfactory and effective internal control arrangements.

We have completed and signed the 'Internal Audit Report' in the year's AGAR assigning positive assurance in the specified control areas except for the requirement to ensure the prior year audit was advertised correctly where due to a technical error the advert did not specify the required number of days.

We wish to thank the Clerk for her assistance in completing our work and commend her on the clarity of the records. We request this report is presented to Members and the Council confirms to us when it has met the publication requirements posting the accounts and AGAR detail on its website in line with the Transparency Code.

# Detailed Report

## Maintenance of Accounting Records & Bank Reconciliations

The Clerk has maintained the year's accounting records in spreadsheet format, detail of which has been used to feed into the year-end financial report at Section 2 of the AGAR. Given their low volume, we have verified detail of all transactions for the year, as recorded in the cashbook to the Lloyds' current and deposit bank account statements, also verifying the accuracy of the brought forward balances as at 1<sup>st</sup> April 2019 to the prior year' closing balances.

We have checked and verified the year-end bank reconciliations, (31<sup>st</sup> March 2020) also ensuring the accurate disclosure of the year-end balances in the AGAR at Section 2, Box 8.

### *Conclusions*

*We are pleased to report that no issues have been identified in this area this year warranting formal comment or recommendation.*

## Review of Corporate Governance

We have examined the Council minutes for the financial year as posted on the website at the time of our review, to determine, as far as we are reasonably able to ascertain, whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability, also that the Council has not undertaken nor is planning to undertake any work or decisions that may result in ultra vires spending. We are pleased to record that no such issues appear to exist at present or to be developing.

We thank the Chairperson for completing our Governance questionnaire, which serves to further clarify the Council's operative controls and afford us with further confirmation of their general soundness.

We note the Council reviewed and adopted its Standing Orders in September 2018 basing these on the NALC model. We note the Financial Regulations were adopted in January 2016. We note that NALC continues to up-date its guidance in this area and it is now four years since its Financial Regulations were last reviewed by the Council.

We understand the Council meets the requirements of the General Power of Competence, but this has not been evidenced recently in the minutes. From our review of the 2019/20 payments we have not noted any area where it would have been necessary for the Council to rely on the General Power of Competence.

It is a new requirement this year for the internal auditor to check the prior year audit was advertised, we note the specified time frame for public inspection of the accounts was not met and we have noted this in the AGAR.

### ***Conclusions and recommendation***

***The Council considers governance issues regularly at its meetings, however, if the Council wishes to rely on the General Power of Competence this needs to be recorded in the minutes. Control would be strengthened by updating the review of Financial Regulations.***

*R1. The Council should review its Financial Regulations.*

## **Review of Expenditure and VAT**

Our objective in this area is to ensure that the Council has appropriate arrangements in place to monitor and control the incurring of expenditure and for the approval and authorisation of payment release. We have reviewed the procedures in place and consider them sound affording a good level of assurance of members' involvement in the approval of expenditure.

We have reviewed a sample of payments made during the year to ensure that they were supported by a suitable invoice. Our sample comprised 15 payments and the total value of the invoices looked at was £15,196.79, compared to total non-pay expenditure in the year of £19,829. All payments in our sample were supported by invoices.

We reviewed further the cash book on a sample basis checking to confirm payments were recorded in the minutes. We further noted that VAT was recorded and reclaimed periodically.

### ***Conclusions***

***Based on our work the Council's payments are approved and supported by suitable documentation.***

## **Assessment and Management of Risk**

The Governance and Accountability Manual requires all councils to consider, develop and adopt formally at least once annually a suitably designed financial risk assessment register. We note that Crudwell has one covering financial and management risks. The response to our Corporate Governance Questionnaire confirms this was reviewed by the Council in March 2020. From our review of the minutes approval of the risk assessment does not appear to have been formally documented. It was not documented in the minutes last year.

We note that the Council's insurance cover is provided by Zurich with public liability cover at £12m, employers liability at £10m and Fidelity Guarantee cover at £50,000.

We note that the play area is subject to independent safety inspections.

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

***The Council has arrangements for managing risks, although needs to minute approval of its risk assessment.***

*R2. The Council should ensure the approval of the risk assessment has been formally documented in the minutes.*

## **Budgetary Control and Reserves**

The Council's minutes, together with the supporting papers provided to Council, indicate that members have considered and agreed the 2020-21 budget and precept, setting the latter at £15,707 at the December 2019 meeting.

We are pleased to note that members continue to receive periodic updates on the Council's financial standing and performance against budget throughout the year.

Overall reserves at 31<sup>st</sup> March 2020 were £28,196 (£30,237 as at 31<sup>st</sup> March 2019). We note that in considering the future year's budget members considered reserves. At the year-end some £7,032 had been earmarked for specific activities leaving a general reserve of £21,164. This compares to spending in the year of £23,222.

### ***Conclusions***

*No issues arise in this area warranting formal comment or recommendation.*

## **Review of Income**

The Council receives, in addition to the annual precept, income from bank interest, grants and donations, allotment rents and recoverable VAT. We have:

- Agreed the precept for 2019/20 of £15,666 to the amount set and recorded in the Council's minutes and to the amount recorded on the list of precepts published by the Government detailing all demands for the year by English councils;
- Agreed the receipt of interest for the year to the bank statements;
- Reviewed the allotment register;
- Agreed the grant received in the year of £4,135 from Ground Work UK to the remittance advice; and
- As previously noted we reviewed the VAT reclaim.

### ***Conclusions***

*We are pleased to record that no issues arise in this area warranting formal comment or recommendation.*

## **Petty Cash Account**

*We are required to confirm in the AGAR the Council's control over petty cash as appropriate.*

*We note the Council's policy not to maintain any form of cash float. Any out-of-pocket expenses incurred are reclaimed and paid accordingly in line with normal trader payment procedures.*

## **Salaries and Wages**

We note the Council continues to use a payroll bureau to process pay and that it employed three different Clerks during the year. We have confirmed that payroll costs are recorded separately in the cash book and compared costs year on year for reasonableness. We note payroll expenses are supported by a voucher signed by two members.

We have confirmed for the current Clerk the calculation of tax for February and March, as a sample, confirming payments were made to the HMRC, agreeing the payslip to the cash book and confirming a P60 was prepared at the year-end. We further agreed the Clerk's pay-point to the payslips.

### ***Conclusions***

*No matters arise from this area of our review.*

## **Asset Registers**

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We are pleased to acknowledge the existence of an appropriate register. We note there were no additions or disposals during the year and agreed the year end balance to box 9 of section 2 of the AGAR.

### ***Conclusions***

*There are no issues arising from this area of our review this year.*

## **Investments and Loans**

*The Council has no funds in investments, other than the Lloyds deposit account on which a small amount of interest is received monthly. This was tested as part of the bank reconciliation work reported above. No loans are in existence.*

## **Statement of Accounts and AGAR**

Data for inclusion in the 2019-20 AGAR has been based on the cashbook and asset register detail. We have checked the transfer of data from the cash book and asset register to the AGAR.

### ***Conclusions***

*No additional issues have arisen in this area this year and we have duly signed-off the Internal Audit Report in the AGAR.*

# Action Plan

## 2019/20 recommendations

Rec. No.	Recommendation	Response
<b>Review of Corporate Governance</b>		
R1	The Council should review its Financial Regulations.	
<b>Assessment and Management of Risk</b>		
R2	The Council should ensure the approval of the risk assessment has been formally documented in the minutes.	

## 2018/19 recommendations

Rec. No.	Recommendation	Response
<b>Assessment and Management of Risk</b>		
R1	The Council should ensure the approval of the risk assessment has been formally documented in the minutes.	