

## **Sulhamstead Parish Council**

*Internal Audit Report 2019-20*

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*Chris Hackett*

*For and on behalf of  
Auditing Solutions Ltd*

## **Background and Scope**

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).

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 (completing the work between the 11<sup>th</sup> and 15<sup>th</sup> May 2020). We wish to thank the Clerk for facilitating the process, providing all necessary documentation by post or in electronic format to enable us to complete our review for the year.

## **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 misrecording or misrepresentation in the year-end Statement of Accounts / 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' as part of the Council's AGAR process, which requires independent assurance over eleven internal control objectives.

## **Overall Conclusion**

We have concluded that, based on the satisfactory completion of our programme of work for the year, the Council has again maintained adequate and effective internal control arrangements except for payroll. We are required to confirm that salaries were paid in accordance with the Council's approvals. We have been unable to agree the pay costs to a minute or contract. We note that the monthly pay, however, is consistent year on year and details of all payments are now on the website.

We have made some recommendations to strengthen control and we have signed the Internal Audit Report in the AGAR.

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# Detailed Report

## Accounting Records and Bank Reconciliations

The Clerk has maintained the Council's financial records using a spreadsheet-based cashbook, which we consider appropriate for purpose.

In order to verify the accuracy of the year-end detail disclosed in the AGAR, we have checked and agreed detail of all transactions in the cashbook for 2019/20 to supporting bank statements for the financial year. We have also agreed the balances on the deposit and notice accounts to the year-end bank reconciliation.

We confirmed the prior year audit (2018/19) was advertised to the public, this is a new requirement placed on Internal Auditors this year. We also reviewed the External Auditor's report last year for any matters requiring follow up by us.

### *Conclusions*

*We are pleased to record that there are no issues warranting formal comment or recommendation arising from this area of our review.*

## Review of Corporate Governance

Our objective is to ensure that the Council has a robust series of Corporate Governance documentation 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. Consequently:

- We have again examined the Council's minutes for the year to ensure that no issues exist or are developing that may have an adverse effect on the Council's financial stability either currently or in the foreseeable future, also that, as far as we may reasonably expect to ascertain, no potentially unlawful actions or spending appear to have occurred: no such issues were identified;
- We are pleased to acknowledge the formal feedback to our Governance questionnaire and the Council's compliance with the Transparency Code; and
- We note that Standing Orders and Financial Regulations were formally re-adopted in November 2019.

### *Conclusions*

*We are pleased to record that there are no issues warranting formal comment or recommendation arising from this area of our review.*

## Review of Payments

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;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount; and
- VAT has been appropriately identified for periodic recovery.

Due to the relatively low number of annual transactions and appropriate manner in which invoices are filed, we have examined all payments in the year to ensure compliance with the above criteria and are pleased to record that no significant issues have been identified.

We note the Council did a VAT reclaim in May 2019 for £467.19. The supporting paperwork indicated this related to payments made in 2018/19. The previous VAT reclaim for 2017/18 was done in November 2017.

### *Conclusions and recommendation*

***We are pleased to record that payments are supported by suitable documentation. The Council should make sure it has claimed for VAT incurred in the second half of 2017/18.***

*R1. The Council should ensure it has recovered all VAT relating to 2017/18.*

## Assessment and Management of Risk

In this area of our review we confirm the Council's approach to managing risk ensuring it is proportionate to its circumstances, specifically we have:

- Noted the Council approved its annual risk assessment at its meeting in November 2019. It is a requirement this is done annually;
- Reviewed the insurance Policy arranged through Parish Protect/RSA. The policy is due for renewal at the end of May 2020. It includes public liability £10m, employer's liability £10m and we note the level of fidelity guarantee cover stands at £100,000; and
- We note the play areas are inspected by ROPSA.

### *Conclusions and recommendation*

***The Council has arrangements for managing risks. The Council's cash balances have increased significantly due to the receipt of CIL monies and stand at £172,120 plus the investment with Hargreaves Lansdowne at £10,234. It is good practice for fidelity guarantee insurance to match the balances.***

R2. *The Council should increase its level of fidelity guarantee insurance.*

## **Budgetary Control and Reserves**

The Council set its budget for 2020/21 at its meeting in January 2020 following discussion of forthcoming cost pressures. We note that Members periodically review the budget which is recorded in the Cash Book.

We note the Council's balances have increased further following additional CIL monies. At the year end balances stood at £172,120 including £121,237 in CIL funds and £44,171 in a public open spaces fund. The general fund was £6,712. Payments in 2019/20 totalled £19,158. General balances therefore are some four months spending which is within the normally expected range of 3 to 6 months.

As noted last year, guidance issued by the Accountability and Governance Panel referred to the Regulations which permit principal local authorities to recover unspent CIL monies not spent by parish councils within five years. (This is optional for a principal authority and not mandated). Parish Councils should keep records of the receipt of CIL money and use it on a 'first in' 'first out basis' to avoid the risk of it being recovered.

### **Conclusions**

*There are no issues warranting formal comment or recommendation arising from this area of our review.*

## **Review of Income**

The Council has limited different sources of income, basically the Precept, grants and bank interest. We have agreed the receipt of the precept to remittance advices from West Berkshire Council and to the bank, also confirming the precept collected was in line with the minutes.

The Council received two amounts of CIL monies during the year totalling £83,643. We have agreed these amounts to remittance advices, correspondence and to the bank.

Further supporting paperwork was provided in respect of other miscellaneous income which we have reviewed.

### **Conclusions**

*We are pleased to record that there are no issues warranting formal comment or recommendation arising from this area of our review.*

## **Petty Cash Account**

*The Council does not operate a formal petty cash account, any "out-of-pocket expenses" incurred by the Clerk being reimbursed periodically through the routine payment process, detail of which we have checked and agreed in full for the year as noted earlier in this report.*

## Salaries and Wages

Our aim here is to ensure that the Clerk is paid in accordance with the terms of their appointment and that, where appropriate, Income Tax and National Insurance deductions have been correctly deducted and paid over to HMRC accordingly.

The role of the Clerk was performed by three people at different times during the year. We have checked the payslips and confirmed the calculation of PAYE where applicable. We agreed the net payments per the payslips to the Cash Book. We confirmed also payments were made during the early part of the year to HMRC, we understand amounts were not due later in the year. Unlike last year though, the information provided for audit did not include a P60 for the Clerk(s).

The rate of pay to the Clerk is consistent with prior years, although an additional month's pay was made in 2019/20 due to the changeover in the Clerk. We have not been able to agree the Clerk's pay to a contract or signed minute.

### *Conclusions and recommendation*

***Payslips were provided for audit and the pay per month is consistent year on year. The Council needs to provide further evidence next year to support payroll costs.***

- R3. *The Council should provide a copy contract for the Clerk next year.*
- R4. *The Council should provide a P60 for the Clerks employed in 2019/20.*
- R5. *The Council should confirm it has claimed an exemption from paying employer's NI due to its de-minimis level of spend.*

## Asset Registers

The Accounts and Audit Regulations (as amended periodically) require that all Councils establish and maintain inventories/asset registers of buildings, land, plant and equipment, etc. owned by them.

We confirmed that the Council maintains an asset register and agreed the values to the AGAR.

### *Conclusions*

***We are pleased to record that there are no issues warranting formal comment or recommendation arising from this area of our review.***

## Investments and Loans

The Council holds an investment with Hargreaves Lansdown included in line 9 of the AGAR plus funds held on deposit at Unity Bank of £165,409. We agreed the year end balances to the third-party statements.

Where “investments” are held in excess of £100,000 a formal Investment Policy must be in place, although, as advised on a “best practice basis”, one should ideally be prepared for investments in excess of £10,000.

The Council has no loans in existence either repayable by or to it.

### ***Conclusions and recommendations***

***We have agreed the balances to available statements. We understand the Council has a draft investment policy.***

*R6. The Council should approve/adopt an investment policy.*

## **Statement of Accounts and Annual Governance & Accountability Return**

The Council’s annual Statements of Accounts have, as in previous years, been prepared from spreadsheet-based cashbooks. We have agreed the amounts to the AGAR requesting one minor adjustment to move the office allowance to line 6 from line4.

### ***Conclusion***

***We have agreed the AGAR to the cash book and signed off the Internal Audit report assigning positive assurance in the required areas except payroll.***

Rec. No.	Recommendation	Response
<b>2019/20 Recommendations</b>		
<b>Review of Payments</b>		
R1	The Council should ensure it has recovered all VAT relating to 2017/18.	
<b>Assessment and Management of Risk</b>		
R2	The Council should increase its level of fidelity guarantee insurance.	
<b>Salaries and Wages</b>		
R3.	The Council should <b>provide a copy contract for the Clerk next year.</b>	
R4.	The Council should provide a P60 for the Clerks employed in 2019/20.	
R5.	The Council should confirm it has claimed an exemption from paying employers NI due to its de-minimis level of spend.	
<b>Investments and Loans</b>		
R6.	The Council should approve/adopt an investment policy.	
<b>2018/19 Recommendations and response</b>		
<b>Investments and Loans</b>		
R1	The Council should obtain an up to date statement from Hargreaves Lansdown and minute the current value.	<i>A statement dated April 2020 was provided for the 2019/20 audit</i>
R2	The Council should develop an investment policy.	<i>A draft policy has been prepared</i>
<b>Statement of Accounts and Annual Governance &amp; Accountability Return</b>		
R3	The clerk should write back the £1,500 drawn on Lloyds, adjusting lines 6,7 and 8 of the AGAR, unless the amounts did clear to the Unity Accounts before the year end in which case these balances should be included in the reconciliation.	<i>Done in 2018/19.</i>