

## **Over Norton Parish Council**

*Internal Audit Report 2020-21*

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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 Governance and Accountability Return (AGAR). Following the retirement of the Council's previous internal auditor, we were approached and subsequently appointed to undertake the 2018-19 review and that for future years.

This report sets out the work undertaken in relation to the 2020-21 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 in assisting the process, providing all necessary additional documentation in electronic format to facilitate completion of our review for the year and sign off of the Internal Audit Certificate in the year's AGAR. 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 our review for the year, we have 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 Certificate as part of the Council's AGAR process, which requires independent assurance over a number of control objectives.

## **Overall Conclusion**

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

We have completed and signed the 'Annual Internal Audit Report' in the year's Annual Governance and Accountability Return, having concluded that, in all significant respects, 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 Council.

# Detailed Report

## Review of Accounting Arrangements & Bank Reconciliations

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. The Council maintains its accounting records in an appropriately designed spreadsheet to facilitate presentation of financial transaction data to members and also to feed information into the Financial Statement at Section 2 of the year's AGAR. Two bank accounts are in use at Barclays Bank (Current and Deposit) with an automatic daily sweep in operation to retain the Current account balance at £100.

We have as part of our review:

- Ensured that appropriate analysis exists in the spreadsheet cashbook to provide for effective budgetary control over spending, also noting that VAT is identified in a separate column with the residual analysis showing the net value of the payment (where applicable);
- Ensured the accurate carry forward of the 2019-20 closing balances as recorded in the certified AGAR and closing bank reconciliation;
- Ensured that the accounts remain in balance at the financial year-end;
- Checked and agreed the transactions as recorded in the spreadsheet cashbook to the supporting Barclays Current and Deposit Account bank statements;
- Verified the accurate recording of the combined accounts bank reconciliation as at 31<sup>st</sup> March 2021 ensuring that no long-standing cheques or other anomalous reconciling entries exist; and
- Ensured the accurate disclosure of the combined cash and bank balances in the year's AGAR.

### *Conclusions*

*We are pleased to record that no issues have arisen from our review of the 2020-21 accounting transactions as recorded.*

## Review of Corporate Governance

Our objective is to ensure that the Council has robust corporate governance documentation and procedures in place; that Council meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we are reasonably able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation.

We note that the Council has reviewed and approved both the Standing Orders and the Financial Regulations in July 2019.

### *Conclusions*

*There are no matters requiring formal comment or recommendation in this area of our review process.*

## Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- A sample of payments 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;
- VAT has been calculated correctly for periodic recovery;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount; and
- All payments have been analysed appropriately.

We have examined a sample of documentation supporting payments throughout the year

### *Conclusions*

*There are no matters requiring formal comment or recommendation in this area of our review process.*

## 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 identified in order to minimise the opportunity for their coming to fruition.

A Risk Assessment is in place, which was approved by Council at its **January 2020** meeting.

The Council's insurance cover is provided by the "Local Councils Policy" with Employer's and Public Liability both in place at £10 million and Fidelity Guarantee cover set at £250,000.

### *Conclusions*

*There are no matters requiring formal comment or recommendation in this area of our review process.*

## Precept Determination and Budgetary Control

We aim in this area of our work to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount of the precept placed on the Unitary Authority, that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans. We are pleased to note that members continue to receive regular budget monitoring reports with over/under-spends and the level of earmarked reserves the subject of regular review.

We note that Full Council approved, at its December 2020 meeting, a precept level of £20,805 for 2021-22.

We are pleased to note that members now receive regular budget monitoring reports with over/under-spends and the level of earmarked reserves the subject of regular review.

### **Conclusions**

*There are no matters requiring formal comment or recommendation in this area of our review process.*

## **Review of Income**

*The Council receives only very limited income other than by way of the annual precept, occasional grants, bank interest and recovered VAT. We have agreed detail of income received against the available supporting documentation.*

## **Petty Cash Account**

*The Council does not operate a petty cash account.*

## **Review of Staff Salaries**

We note that the Council has only one employee - the Clerk: we have been provided with a copy of her employment contract and have duly verified the accuracy of the monthly gross salary payments made to her during the year together with the total tax deduction for the year, which has generally been paid over to HMRC each month. The Clerk's earnings are below the threshold for any NI Contributions to be payable whether by her, or the Council.

### **Conclusions**

*We are pleased to record that appropriate procedures are in place for the determination and physical payment of the clerk's salary and tax liability with no issues arising warranting formal comment.*

## **Fixed Assets**

The Governance and Accountability Manual requires all Councils to maintain a comprehensive register of all assets owned and leased by the Council. We aim to ensure that such a register is in place, that it is comprehensive and contains all the basic information that should, ideally, be embodied in the record.

We are pleased to note the existence of a simple register identifying the few assets owned by the Council, also identifying the acquisition date, where known, and the known value as reported in prior year AGARs. No new assets have been acquired during 2018-19, nor, as far as we have been able to ascertain, have any been disposed of.

### **Conclusions**

*No matters have been identified in this area warranting formal comment.*

## **Investments and Loans**

*The Council has no “investments” in place currently, the limited funds available being held in the two Barclays bank accounts. The Council has no loans outstanding either repayable by, or to, it at the financial year-end.*

## **Annual Governance and Accountability Return**

The Accounts and Audit Regulations required that all Councils prepare a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council’s financial affairs.

We have examined the Council’s procedures in relation to the preparation of the year-end detailed Annual Governance and Accountability Return data.

### ***Conclusions***

*No issues have arisen in this review area and, on the basis of work undertaken during the year, we have duly signed off the Internal Audit Report of the Annual Governance and Accountability Return, assigning positive assurances in each relevant area.*