

Lyneham & Bradenstoke Parish Council

Internal Audit Report 2021-22

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Background and Scope

Statute requires all town and parish councils to arrange for an independent Internal Audit (IA) examination of their accounting records and systems 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 2021-22 financial year. We have undertaken our review based on electronic information made available to us, and information freely available on the Council's website. We thank the Clerk for her assistance in the process, providing all necessary documentation to facilitate completion of our review for the year and sign off of the IA Certificate in the year's AGAR.

Internal Audit Approach

In undertaking our review, 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 / 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 'IA Certificate' in the year's AGAR, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

Overall, we believe that the Council's accounting and governance procedures provide reasonable assurance of sound management. While we have not made any formal recommendations, we have noted a number of observations throughout this report, mainly concerning the periodic review of policies and procedures to keep them up to date, which we would invite the Council to give careful consideration to.

We have also noted two areas (the Exercise of Public Rights, and Risk Management) where the Council needs to give a negative assurance in its 2021-22 AGAR. Action needs to be undertaken to ensure that these shortcomings do not reoccur during 2022-23.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Clerk maintains the accounting records using the Rialtas Alpha accounting software, which remains appropriate for the Council's needs. Two bank accounts are in operation with Unity Trust (Current and Deposit).

We aim in this review area to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear therein. Consequently, and in view of their relatively low volume, we have: -

- Agreed the opening balances recorded in the Alpha accounts for 2021-22 with those in the 2020-21 certified AGAR;
- Ensured that the accounts remain "in balance" at the financial year-end;
- Test-checked transactions recorded on all accounts for the full financial year by reference to the underlying bank statements;
- Verified the accuracy of bank reconciliations undertaken periodically throughout the year and at the financial year-end on the accounts; and
- Ensured the accurate disclosure of the combined bank balances in the year's AGAR at Section 2, Box 8.

Conclusions

No matters arise in this area warranting further comment or recommendation.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place; that Council and Committee 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's SOs and Financial Regulations (FRs) have been periodically reviewed throughout the year, and accord with the NALC Model Forms. The most recent reviews (May 2022) have been published on the Council's website. While we note that the Council has a published Code of Conduct, this has not been reviewed since February 2020, despite being subject to annual review.

We have reviewed the minutes of Council meetings during 2021-22, as posted on the Council's website, with no issues of concern noted.

We note that the Exercise of Public Rights for the 2020-21 accounts only covered 29 days, rather than the statutory 30 days. We are required to note this in our AGAR report (Objective M), and the Council is required to note this as a negative in its AGAR Governance Statement (Assertion 4).

While we note a reasonable level of compliance with the Transparency Code 2015 on the Council's website, documents need to be regularly reviewed and kept up to date.

Conclusions

No matters arise in this area warranting further comment or recommendation, other than our observation about correctly calculating the period for the Exercise of Public Rights.

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Appropriate documentation supports payments, 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 expense analysis has been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We note that accounts are now approved for payment by two Councillors via electronic signature, with a good level of supporting data. There are also references to accounts for payment in the appropriate Minutes.

We note that a VAT reclaim for 2021-22 has been prepared and submitted to HMRC for settlement. The Alpha accounts generate the reclaim detail of which we have checked and agreed to the accounting system with the total value equating to that recorded in the nominal control account.

Conclusions

No matters arise in this area warranting further 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 to minimise the opportunity for their coming to fruition.

There is no evidence in the Minutes of an appropriate risk review having been undertaken during 2021-22. We are required to note this in our AGAR report (Objective C), and the Council is required to note this as a negative in its AGAR Governance Statement (Assertion 5).

We have examined the Council's insurance policy for the year with Aviva through BHIB Brokers, noting that both Employer's and Public Liability cover stands at £10 million, together with Fidelity Guarantee cover at £150,000 and Officials Indemnity at £500,000, with appropriate property cover for the Council's assets, all of which we consider appropriate for the Council's present needs.

We note that the Council's play areas are subject to annual RoSPA inspection and report, the outcome being presented to members for formal agreement of any remedial action deemed necessary, with an appropriate contractor engaged to undertake the necessary repairs.

We note that play area inspections continue to be undertaken weekly on a rota with a formal record of each inspection completed and sent to the Clerk for electronic filing.

Conclusions

No matters arise in this area warranting further comment or recommendation, other than our observations about the failure to review risks on at least an annual basis.

Budgetary Control & 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 the level of Precept to be drawn down from Wiltshire 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 and cover any unplanned expenditure that might arise.

We note that the 2022-23 budget and Precept detail were formally approved and adopted at the December 2021 Council meeting with the Precept formally adopted at £52,704.

The Council has total funds of £125,203.29 as at 31 March 2022 (£108,543 at 31 March 2021). The Alpha system shows Earmarked Reserves (EMRs) of £81,009, plus a further £35,000 as a 'Contingency Reserve' and is regarded as part of the General Reserve. Therefore the General Reserve stands at £44,194, which represents almost 84% of the agreed Precept against a Best Practice figure of 50%. The level of reserves should be kept under regular review.

We note that the Financial Reserves Policy adopted by the Council in May 2020 has not subsequently been reviewed, which was an annual objective.

Conclusions

No matters arise in this area warranting further comment or recommendation, other than our observations about the high level of reserves, and the need to periodically review the Financial Reserves Policy.

Review of Income

The Council has relatively limited sources of income, primarily the annual Precept, allotment rents, recoverable VAT, bank interest, grants (including CIL moneys) and donations.

Our objective in this area is to ensure that all income due to the Council is identified and recovered within an appropriate period and is also banked promptly. We have test-checked significant receipts between the accounting system and the bank statements, with no issues arising.

Finally, we note that a review of allotment rents was undertaken at the October 2021 meeting, with an agreed increase effective from October 2022.

Conclusions

No matters arise in this area warranting further comment or recommendation.

Petty Cash Account

The Council does not operate a formal petty cash account, any expenses incurred being reclaimed and repaid through the normal invoice process.

Review of Staff Salaries

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 HMRC legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme.

We note that preparation of the monthly payroll is now outsourced to Charlton Baker who provide all relevant documentation pertaining to the clerk's salary, tax, NI and Nest pension deductions / Council contributions to facilitate payment of the net salary and HMRC / NEST monthly payments.

To meet the above objective, we have: -

- Noted that the Clerk has a formal Contract of Employment identifying her salary point on the national salary scale and basic weekly hours;
- Checked and agreed detail of the gross pay of the clerk's salary to her employment contract and approved salary rate for January 2022, which included the backdated NJC pay award;
- Verified the tax and NI deductions applied by reference to the relevant HMRC tables based on her Tax Code for the same two months;
- Noted Council's approval of contributions to the NEST pension scheme from 1st October 2020; and
- Ensured that all net pay, HMRC and NEST payments have been processed in an appropriate and timely manner.

Conclusions

No matters arise in this area warranting further comment or recommendation.

Fixed Asset Register

The Governance and Accountability Manual (GAM) sets out the reporting requirements for Fixed Assets in the AGAR. We note that the Council's Asset Register was reviewed in March 2020 to more closely accord with the GAM requirement to record assets at original cost (net of VAT) or, if this figure is not available, a notional cost.

The Asset Register shows no change during 2021-22, and the appropriate total of £140,251 has been carried forward in the accounting system to be duly reported in the AGAR at Section 2, Box 9.

We also noted last year that the Chairman was in the process of developing a photographic register of the Council's street furniture, etc and commend this as an example of best practice.

Conclusions

No matters arise in this area warranting further comment or recommendation.

Investments and Loans

The Council has no funds invested in long-term deposits, only in a Unity Trust deposit account, nor are any loans in existence either repayable by or to the Council.

Statement of Accounts / AGAR

All Councils are required to prepare and submit to their appointed external auditor each year a completed AGAR before 30th June, although those councils with receipts and payments of less than £25,000 may claim exemption. The Alpha accounting software generates all necessary end-of-year financial information, including the detail to be disclosed in the AGAR at Section 2, excluding the asset value, which is, as above gleaned from the asset register.

We have checked and agreed the financial values to be reported in the 2021-22 AGAR to the underlying year-end financial detail, as set out in the Rialtas Alpha accounting records with no issues arising.

With regard to the Council's Governance assurances, we have noted above two instances where the Council is required to state that it did not meet the required standard. Action should be taken to ensure that these weaknesses do not reoccur during 2022-23.

Conclusions

We have duly signed off the IA Certificate in the 2021-22 AGAR with appropriate assertions in each relevant area.

| Rec. No. | Recommendation | Response |
|---------------------------------------|----------------|----------|
| <hr/> No Recommendations made. | | |