

INTERNAL AUDIT REPORT 2020-21

ACTON BURNELL, FRODESLEY, PITCHFORD, RUCKLEY & LANGLEY PARISH COUNCIL

1 INTRODUCTION

As the Council's Internal Auditor for the year ended 31st March 2021 I have independently carried out an examination of areas which meet the internal control objectives as listed on page 4 of the Annual Governance and Accounts Return (AGAR) for 2020/21. I hold the CilCA qualification rendering me competent to carry out the Internal Audit. The audit has been carried out on a risk assessment basis and assesses the Council's compliance with best practices as outlined in the 'Practitioners Guide 2020' issued by the Joint Panel on Accountability and Governance (JPAG).

2 OVERALL

2020/21 has been a difficult year for all Parish Councils due to the coronavirus pandemic and the inability to conduct face-to-face meetings. Council adapted well to the challenge, regular meetings were conducted by 'Zoom' and internal controls do not appear to have been compromised.

The standard of administration and system of internal controls relating to the audit areas examined throughout the financial year were found generally to be of a high standard enabling me to largely complete the Annual Internal Audit report positively. The exceptions are IC objective D, and to a lesser extent IC objective B, which have not been fully met. Reasons for these conclusions are documented below.

Completion of the Certificate of Exemption for 2020-21 would be appropriate given the annual gross income and annual gross expenditure values of the Council for this period.

3 DETAILED FINDINGS & RECOMMENDATIONS

The following outlines the areas covered:

A Appropriate accounting records have been properly kept throughout the financial year.

The primary accounts records examined (i.e. Excel Spreadsheets) were found to be accurate and supported the annual accounts statement.

The internal control objective has been met.

B The Council complied with its financial regulations, payments were supported by invoices/vouchers, all expenditure was approved and VAT was appropriately accounted for.

Total payments for the year were £8,323. A sample of 12 payments were examined (including Payroll) and were agreed to the bank statements, supporting invoices, payroll summaries and financial accounts. Authorisation of invoices/payments would benefit from tighter control (see recommendation below).

Weakness:

The Council's Financial Regulations state the following in relation to payments:

Section 5.2 The approved schedule shall be ruled off and initialled by the Chairman of the Council.

There is no evidence of this taking place. The overall total paid out after every meeting agrees with the minutes from the meeting authorising that total, and the individual transactions have been ticked off on some of the schedules, but there is no evidence of the schedules showing the breakdown of payments having been verified by the Chairman (nor any other Member). There is therefore no clearly defined link between the overall sum approved in the minutes and the breakdown of that sum across approved payees.

Recommendation:

Council should be presented with the schedule of payments with the corresponding invoices/payroll summaries attached to the back. Both the schedule of payments (agreeing with the amount declared as payable in the minutes) and each individual supporting document (invoices and payroll summary) should be initialled as verified and approved for payment. Preferably TWO members who are bank signatories should perform the verification and approval process, although just the Chairman's initials would suffice according with the Council's Financial Regulations.

VAT is appropriately accounted for.

Council's Financial Regulations were recorded in the minutes as revised and re-adopted at its May 2020 meeting and a copy was provided for the audit.

Recommendation

It would be appropriate for the Chairman to sign and date a hard copy of re-adopted Financial Regulations at the meeting approving them, to be kept on file and provide verifiable evidence of 'version control'.

The internal control objective has been met overall.

C The council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

The Council has clearly demonstrated that it has assessed significant risks to achieving its objectives during the year - for example the Council very quickly responded to the requirement for online meetings, produced a protocol for conducting the meetings and ensured that members of the public could access them. The Council considered and re-adopted its Annual Risk Assessment at its May 2020 meeting.

Recommendation:

Several policies listed on the website as 'to be reviewed in Sept '19' should be reviewed and re-adopted. The H&S policy provided for the audit needs to be approved/adopted by Council and uploaded to the website.

Appropriate insurance cover is in place.

The internal control objective has been met.

D The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored by the council; and reserves were appropriate

1. In Year Budget Monitoring - Regular receipts and payments schedules are presented to Council by the RFO. It is noted however, that the schedules showed no comparisons against budget or prior year, nor any variance analysis until the papers were being prepared for the following year's budget. At that stage a schedule was prepared forecasting 2021 year end receipts and payments and comparing this against the prior year and a proposed next year budget, but not against the 2020/21 budget.

Weakness:

Actual progress against the 2020/21 budget is not demonstrated to have been regularly monitored. Holding sufficient reserves to accommodate the overspend against the 2020/21 budget does not negate the requirement for regularly monitoring actual receipts and payments against the current budget.

Recommendation:

Council minutes 21.3.11.1 (March 21) inform that regular budget monitoring is being introduced for the 2021/22 financial year. The monitoring report is required at least quarterly to comply with the Council's adopted Financial Regulations section 4.8. It is recommended that for reasons of transparency monitoring reports are uploaded to the website, either in a separate section, or alongside the minutes of the meeting at which it was presented to Council.

2. Precept/Budget 2020-21 - The Council resolved to set a precept of £5,674 at its January 2021 meeting. This was having considered the projected 2021 year end forecast receipts and payments and the proposed 2022 receipts and payments budget showing Total Budgeted Expenditure estimated at £5,807. Note: the minutes of the meeting do not state the actual £ amount of the Precept approved, only that it would be a 0% increase over the previous year. This is not considered to be adequate public disclosure. The audit evidence for this amount being claimed has been by way of the Precept form submitted to Shropshire Council.

Recommendation:

That the amount of the precept claimed for 2021/22 and the detailed receipts and payments budget schedule supporting that level of precept is uploaded to the Council's website to aid public transparency.

3. Reserves - The year-end balance of £82,387 is made up of 'ring-fenced'/restricted funding (Lightsource and CIL) totalling £71,541 and £10,846 of general reserves. An adequate carrying level of general reserves is considered to be 3 to 12 months of normal costs - a maximum of £7,270 for the current year. The general reserves are considered high for a Parish Council of this size and Council should consider bringing the amount down to a lower amount over the next year or two.

Recommendation:

Council should consider 'ear-marking' reserves for future local projects and should consider its compliance with these sections of the JPAG Practitioner's Guide:

5.31. As with any financial entity, it is essential that authorities have sufficient Reserves (General and Earmarked) to finance both its day to day operations and future plans. It is important, however, given that its funds are generated from taxation/public levies, that such reserves are not excessive.

1.13 Reserves – The authority needs to have regard to the need to put in place a General Reserve Policy and have reviewed the level and purpose of all Earmarked Reserves

Taking into account all of the above the internal control objective has NOT been met for this year

E Expected income was fully received, based on correct prices, properly recorded and banked.

Total receipts for the year were £18,475, mainly comprising the annual Precept of £5,756 and 'Lightsource' income of £12,183 from the array of solar panels. These were properly recorded in the accounts and supported by remittance advices.

The internal control objective has been met.

F Petty Cash Float - No petty cash float is held by the Clerk.

G Salaries to employees and allowances to members were paid in accordance with the Council's approvals and PAYE & NI requirements were properly applied.

The Clerks' net salary payments and HMRC deductions as detailed in the accounts have been reconciled to the P60 (for the current Clerk) and the P45 (for the out-going Clerk who left employment at the end of

January 2021). Council minutes support bi-monthly salary payments. See recommendation on approval of payments in B above.

The Chairman received an allowance of £150 during the year which was properly approved and minuted.

The internal control objective has been met.

H Asset and investments registers were complete and accurate and properly maintained

The Council's fixed asset register/inventory as at 31/3/21 was examined and found to clearly detail assets at their written down value total of £750.

The internal control objective has been met.

I Periodic and Year-End Bank Reconciliations were properly carried out.

A year end bank reconciliation has been prepared by the Clerk/RFO and re-performed and agreed by the Auditor. The Clerk has regularly presented reconciled bank balances to Council which have been independently agreed by the Chairman, who has evidenced his checks. The March '21 minutes detail that future bank reconciliations will be checked and signed as agreed by a Member *other than* the Chairman to comply with the Council's Financial Regulations. It is recommended that the corresponding bank statements are also signed by the Member to demonstrate the cross-checking to the reconciliation.

The internal control objective has been met.

J Annual Governance & Accountability Return (AGAR) 2020/21; Statement of Accounts (page 6)

The draft AGAR and Statement of Accounts has been correctly compiled on a receipts and payments basis and is supported by accounting records.

The internal control objective has been met.

K The Council appropriately certified itself as exempt from a limited assurance review by EA in 2019/20

Not covered. The Council did not qualify as exempt in 2019/20 due to income for the year being in excess of £25,000. The Council therefore had a limited assurance review in 2019/20.

L The authority publishes information on a website/webpage, up to date at the time of the internal audit, in accordance with the Transparency code for smaller authorities

The Council has a website on which it publishes the basics required by the Transparency code. A brief review of Council's records on its website confirmed that the website was overall up to date and informative.

Recommendation:

In the interests of transparency, Council should consider publishing the following in the 'Financial Reports Year End' section (in addition to the documents currently disclosed):

- The year end bank reconciliation as at 31/03/2021 (mandatory)
- An analysis of revenue/cost variance to budget and to prior year with explanations for variances exceeding 5% and or greater than £100
- The Internal Auditor's detailed report (in addition to the AGAR Internal Audit internal Control Objectives report).
- Next year's budget reconciling to the Precept requested of Shropshire Council

The internal control objective has been met.

M During summer 2020 Council correctly provided the proper opportunity for the exercise of public rights in accordance with Accounts and Audit Regulations 2015.

The notice of the period for the exercise of public rights was fully completed and advertised on the Council's website during the summer 2020.

The internal control objective has been met.

N The authority has complied with the publication requirements for 2019/20 AGAR

The Council published the required information on its website at the appropriate times fully complying with the Accounts and Audit Regulations 2015.

The internal control objective has been met.

O Trust Funds - The Council is not responsible for a trust fund.

Council Meetings & Website - A sample review of Council meeting minutes confirmed that the necessary number of councillors were in attendance achieving the required quorum. Council minutes were appropriately signed as accurate.

Should the Council or Clerk have any queries with this report please do not hesitate to contact me. I would like to thank Anna for presenting such well organised records.

Best Regards,

Kathy Symonds,
CiLCA

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1st May 2021