

## **Eynsham Parish Council**

*Internal Audit Report 2019-20*

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*Adrian Shepherd-Roberts*

*For and on behalf of  
Auditing Solutions Ltd*

## **Background**

All town and parish councils are required by statute to make arrangements 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 final review for the year remotely: we wish to thank the Clerk the Responsible Finance Officer in assisting the process, providing all necessary additional (to that examined at our interim visit) 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 mis-recording or misrepresentation in the year-end Statement of Accounts/AGAR. We have employed a combination of selective sampling techniques (where appropriate) and 100% detailed checks in a number of key areas in order to gain sufficient assurance that the Council's financial and regulatory systems and controls are appropriate and fit for the purposes intended.

Our programme of cover has been designed to afford appropriate assurance that the Council's financial systems are 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 'Annual Internal Audit Report' in the Council's AGAR, which requires independent assurance over a number of internal control objectives.

## **Overall Conclusion**

We have concluded that, on the basis of the programme of work we have undertaken, the Council has maintained adequate and effective internal control arrangements during the year.

We ask that members consider the content of this report and acknowledge that the report has been reviewed by Council.

We have completed and signed the 'Annual Internal Audit Report' in the year's AGAR, 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. We are pleased to note that the Council continues to utilise the Omega accounting software, which has been designed specifically for use by town and parish councils. To meet the objective, we have: -

- Ensured that the ledger has remained in balance throughout the financial year;
- Verified that the closing balances reported in the 2018-19 Statement of Accounts and closing Trial Balance for the year have been correctly rolled forward as the opening balances for 2019-20;
- Checked to ensure that a comprehensive, meaningful and appropriate nominal coding schedule, together with cost centres is in place;
- Checked and agreed all receipt and payment transactions for April 2019 and March 2020 in the Council's Unity Trust bank account cashbook to the relevant bank statements;
- Checked detail on the bank reconciliations for this account as at 30<sup>th</sup> April 2019, and 31<sup>st</sup> March 2020 to ensure that no long-standing uncleared cheques or other anomalous entries exist;
- Ensured the accurate disclosure of closing balance in the year's AGAR.

#### *Conclusions*

*No significant issues have been identified in 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 reasonably ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We: -

- Are pleased to note that Standing Orders, Financial Regulations and the Statement of Internal Control were reviewed and adopted by the Full Council on in June 2019 and March 2019 respectively;
- Have examined the Council's minutes for the current year to determine whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability; and
- Noted that members are provided routinely with and approve a schedule of payments and Direct Debits, together with bank reconciliation detail.

### *Conclusions*

*No significant issues have been identified in this area of our review.*

## **Review of Expenditure**

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, 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 codes have been applied to invoices when processed; and
- VAT has been appropriately identified on the sample of invoices we reviewed and coded to the control account for periodic recovery.

We have reviewed the control procedures over the release of Council funds selecting a sample of all payments with a random sample across the financial year. Our test sample totalled £57,313 and represented 51% of all non-pay related payments made.

We have also ensured the timely and accurate submission of the quarterly VAT returns to HMRC, agreeing the returns' detail to the VAT Control Account.

### *Conclusions*

*We are pleased to confirm that no issues have been identified in this area of our review.*

## **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 in order to minimise the opportunity for their coming to fruition. We have:

- Examined the Council's approach to the identification, recording and management of financial risks, noting that various aspects have been reviewed, updated and re-adopted by The Finance & General Purposes Committee in this financial year;
- Examined the Council's insurance policy with Aviva and confirmed that appropriate cover is in place relating to Employer's and Public Liability at £10 million each, together with Fidelity Guarantee at £150,000.

### ***Conclusions***

***No issues have arisen as a result of our work in this area. We have noted, however, that Fidelity Guarantee cover is lower than current total reserves and Council should consider increasing this to ensure that cover is adequate. The calculation should be based on year end balances and half the years precept.***

## **Precept Determination and Budget 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 to be precepted on the District Council / 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 note that: -

- The process for determining the 2019-20 budget and precept requirements was completed satisfactorily with the latter approved by Full Council at £126,329 at the December 2019 meeting;
- Members continue to receive regular management accounting information at Committee and Full Council level;
- The level of reserves is reviewed constantly during the course of the year; and
- Total Reserves, as at 31<sup>st</sup> March 2020, stood at £160,329 with specific Earmarked items totalling £98,813, leaving a General Fund balance of £61,516. At current expenditure levels, the latter represents circa 5 months' expenditure and is appropriate for the Council's present requirements.

### ***Conclusions***

***No issues have arisen as a result of our work in this area.***

## **Review of Income**

The Council continues to receive, in addition to the precept, income from a variety of other sources including hire of the pavilion and Council rooms, sundry grants, bank deposits and VAT recoveries.

In considering the Council's income streams, we aim to ensure that robust systems are in place to ensure the identification of all income due to the Council from its various sources; that the income is invoiced in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council.

We have reviewed bookings diary for the Pavilion, sampling income recovery and banking of receipts via the cashbook. We have also reviewed the data in the nominal ledgers.

We have also ensured that all income due by way of "investment / deposit account" interest has been received and credited to the Council's bank accounts.

### ***Conclusions***

***There are no matters arising from this area of our work requiring additional comment.***

## **Petty Cash Account**

The current Clerk does not operate any petty cash scheme. Any out-of-pocket expenses are periodically claimed for re-imburement and these are generally paid as part of the salary payments.

## **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 HM Revenue and Customs (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. To meet that objective, we have examined the payroll procedures in place and the physical payments made to staff for 2019-20, as detailed below, by reference to the payroll documentation provided. We have, consequently: -

- Ensured that the Council has approved staff pay rates for the financial year and that these have been duly and accurately applied;
- Tested computations of deductions for Income Tax, National Insurance and LGPS contributions by reference to the March 2020 payroll detail;
- Checked to ensure that appropriate PAYE tax codes and NI tables have been applied in the year; and
- Checked and agreed a sample of net payments made to the cash book and bank statement transactions;

### ***Conclusions***

***There are no matters arising from this area of our work.***

## **Asset Register / Inventory**

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We have checked and agreed the principles used in the detail, as recorded in the Asset Register, noting that it has been prepared using purchase cost values or, where that value is unknown, at the previous year's AGAR value uplifted or decreased to reflect any new acquisitions or disposals in the year.

### ***Conclusions***

***No matters arise warranting formal comment or recommendation in this area of our review.***

## **Investments and Loans**

Our objectives here are to ensure that the Council is “investing” surplus funds, be they held temporarily or on a longer term basis in appropriate banking and investment institutions, that an appropriate investment policy is in place and that the Council is obtaining the best rate of return on any such investments made and that interest earned is brought to account correctly and appropriately in the accounting records.

We note that the Council continues to deposit “surplus” funds in the West Oxfordshire District Council’s temporary loan scheme in an attempt to improve the rate of interest return in this difficult period for the banking sector, noting from their third party advice note as at 31<sup>st</sup> March 2020 that this holding had been retained at £49,500 and that the bi-annual interest receipts had been properly recorded in the accounting software for the year. A short term deposit of £70,000 has also been placed with CCLA Investment Management Limited with interest paid gross each month.

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

### ***Conclusions***

*There are no issues arising from our testing in this area.*

## **Statement of 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, also reviewing the arrangements for the identification of year-end debtors and creditors with no issues arising.

### ***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.*