
Foulness Island Parish Council

Internal Audit Report 2020-21

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Background

Statute requires all town and parish councils to arrange for an independent internal audit 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).

We have, due to the ongoing Covid situation, undertaken this year's review remotely and thank the Clerk for providing all necessary supporting documentation not available on the Council's website in electronic format.

Internal Audit Approach

In undertaking the review for 2020-21, 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 has, as with all our clients, 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 'Internal Audit Certificate' as part of the year's AGAR process, which requires independent assurance over a range of internal control objectives.

Overall Conclusion

We have concluded that, based on the generally satisfactory conclusion of our annual programme of work, the Council has continued to maintain adequate and effective internal control arrangements, although we have identified one or two areas where the Council needs to ensure compliance with statutory disclosure requirements and also possibly strengthen controls in other areas. Detail of the work undertaken on the Council's accounting and other records is set out in the following detailed report, together with any issues arising with recommendations further summarised in the appended Action Plan.

We have completed and signed the Internal Audit Certificate in the 2020-21 AGAR, with one negative assurance being required, having concluded that, in all significant respects, the control objectives set out therein were achieved throughout the financial year to a standard adequate to meet the needs of the Council.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The clerk has again maintained the Council's accounting records in spreadsheet format, which, given the low level of annual transactions, we consider more than adequate for the Council's requirements with two bank accounts continuing in use with the Co-operative Bank.

In view of the low number of annual transactions, we have checked and agreed detail of all cashbook entries to bank statements for the year also reviewing and agreeing the content of the year-end bank reconciliation and, consequently, verified the cash at bank balance disclosed in the AGAR for the financial year at Section 2, Box 8.

Conclusions

We are pleased to record that no issues have arisen in this area of our review process.

Review of Corporate Governance

In this area, we aim to establish whether the Council is operating in accordance with best practice and has established a sound basis of governance controls. In order that we may assess the strength of the Council's controls from members' perspective we have reviewed the year's minutes and provided the clerk with a "Governance questionnaire" which has duly been completed and returned: the document aims to provide both us with a further measure of the effectiveness of the Council's governance arrangements and to ensure that members are fully aware of their fiduciary responsibilities when considering and signing-off the Governance Section of the year's AGAR.

We have previously acknowledged the acquisition of the NALC model Standing Orders (SOs) and Financial Regulations (FRs), noting that these have been subjected to further review and re-adoption by the Council in March 2021. We have examined their content and consider them appropriate for the Council's present requirements.

We are again pleased to note that the Council has an appropriate web site in place and is complying with the disclosure requirements of the Transparency Code for smaller councils. Due to the level of annual turnover, the Council will again be certifying itself exempt from the external audit process again in 2020-21.

We have, however, noted one issue in relation to the 2019-20 Notice of Public Rights where the posted advert does not provide local electors with access to records for the statutory 30 working days running from Monday 24th August to Wednesday 30th September. Consequently, we shall have to negative response in our Certificate at Boxes M & N. When publicising the Notice for 2020-21 care should be taken to ensure that 30 working days are recorded.

Conclusions and recommendation

We are pleased to record that no significant issues arise in this area this year, although as indicated above, we shall have to give a negative response in the IA Certificate in the 2020-21 AGAR due to the incorrect period being quoted in the 2019-20 Notice of Public Rights.

NALC intended to undertake a review of both SOs and FRs following the UKs exit from the EU in the early stages of 2020: promulgation of such revised documentation has, understandably, been delayed to the Covid situation. As and when we hear of the any progress in this respect, we will advise the Council accordingly.

R1. The Clerk / Council must ensure that the appropriate statutory period of 30 working days is afforded to the electorate to examine the Council's records.

Review of Payments

Given the relatively low number of payments during the year, we have checked all to supporting documentation to ensure that the following criteria have been met: -

- Payments were supported by a trade invoice or acknowledgement of receipt;
- VAT has been calculated correctly and is recovered at appropriate intervals.
- The Council has approved each payment.
- Payments have been correctly analysed in preparation of the year-end Statement of Accounts.
- Section 137 payments have been identified in the cashbook and are within the Council's spending limit.

Conclusions

No issues have been identified in this area with all payments for the year supported by appropriate documentation: we have, however, noted that unlike previous years the soft copies of the supporting documents provided for our review do not afford any evidence of member review. We appreciate that the Covid situation has restricted the Clerk and members potential to meet up and arrange for the documentation to be signed off and urge that, once we are able to return to a more normal lifestyle, the evidenced review of members' scrutiny and approval of payments should be reinstated.

We also again suggest that, in line with best practice, the clerk should be initialling invoices to confirm their arithmetic accuracy and physical receipt of the goods and services so invoiced.

We are pleased to note that the VAT return for 2019-20 has been repaid by HMRC during 2020-21.

Assessment and Management of Risk

We are pleased to acknowledge the action taken to review, update and formally re-adopt the risk assessments during the year as generated through the LCRS software, as confirmed by the February 2021 meeting minutes: we have reviewed the output with no issues identified warranting further comment or recommendation.

We have examined the Council's insurance schedule, the year's cover being provided by AXA through Came & Co, noting that Employer's and Public Liability cover are both in place at £10 million with Fidelity Guarantee cover set at £150,000, all of which we consider appropriate for the Council's present requirements.

Conclusions

We are pleased to acknowledge the positive approach to risk management by the Council and have no issues to raise in this respect this year.

Budgetary Control and Reserves

The Council's minutes indicate that members have considered and approved formally the 2021-22 budget and precept adopting the latter at £3,000 as recorded in the minutes of the full Council meeting held in December 2020.

We are also again pleased to note that members continue to receive regular budgetary performance reports during the year together with detail of payments and receipts and bank balances.

Due to the acquisition of 2 defibrillators towards the end of the financial year, total funds have reduced to £1200 (£5,100 as at 31st March 2020), which equates to marginally less than 3 months' revenue spending at the present level. We understand that the Clerk is hoping to acquire independent funding for one of the defibrillators, which will help ensure that overall reserves are increased to a more appropriate level. We shall monitor the position again as part of our 2021-22 review.

Conclusions

Whilst no significant issues arise in this area of our review, we urge that, when considering the 2022-23 budget and precept, members apply a cautious approach to setting the precept with a view to ensuring that the Council does not run in to or get to close to a position of negative equity.

Review of Income

The Council receives, in addition to the annual precept, occasional income from burial and memorial fees, occasional donations, reclaimed VAT and small amounts of bank interest. We understand that no burials nor requests for memorial headstones have taken place during 2020-21 with no income arising in this respect during the year.

Conclusions

We are pleased to record that no issues arise in this area this year warranting formal comment or recommendation.

Petty Cash Account

The Council does not operate a petty cash account. Any out-of-pocket expenses incurred by the clerk are reclaimed periodically and paid by separate cheques, which are minuted and approved as with ordinary trade invoices.

Review of Staff Salaries

We are again pleased to report that no issues have arisen from our testing of payments made to the Clerk with appropriate tax deductions being applied and paid over to HMRC quarterly during the year. (The Clerk is of pensionable age and thus exempt from NI contributions, whilst the gross salary is also below the threshold, so no contributions are due from the Council).

We also note that, in reviewing the minutes for the year, the Council approved an increase in the Clerk's salary increasing the amount payable by 2 spinal points on the national scale with payment backdated to 1st April 2020.

Conclusions

No issues have been identified in this area this year.

Asset Registers

The Practitioner's Guide requires all councils to maintain a record of all assets owned. We have recorded previously the existence of an appropriate record, noting that it has been updated appropriately in 2020-21 to include the 2 defibrillators purchased towards the financial year-end.

We are pleased to note that the Clerk has recorded the asset values on the 2020-21 AGAR in accordance with current reporting requirements and value identified in the updated asset register.

Conclusions and recommendation

We are pleased to report that there are no issues of concern arising in this area of our review process: however, in line with best practice and to potentially assist any insurance reclaim or police enquiry in the event of the theft of or accidental / wilful damage to equipment, consideration be given to the development of a photographic register of the Council's assets – several of our clients have found that such a record has eased the process of insurance reclaims, etc.

R2. Consideration should be given to the development of a photographic register of the Council's asset stock to assist any potential insurance reclaims or police investigations in the event of theft or damage to Council property.

Investments and Loans

The Council does not hold any long-term investments or loans warranting disclosure in the AGAR.

Statement of Accounts and AGAR

The AGAR now forms the statutory accounts for the Council subject to external audit review and certification. As recorded earlier in this report, the Council's turnover is below the £25,000 threshold and it will again opt to exempt itself from the "Limited assurance" external audit process.

We have checked and agreed the content of the financial information presented in Section 2 of the Council's AGAR by reference to the spreadsheet cashbook and other relevant supporting records.

We also take this opportunity to remind the Clerk and Council of the disclosure requirements as set out in the preface (Page 1) of the year's AGAR.

Conclusions

No matters have arisen in this area of review this year. Based on the satisfactory conclusion of our review process for the year, we have duly signed off the Internal Audit Certificate in the AGAR assigning positive assurances in each relevant area, other than in relation to the period for electors to inspect records as recorded in the 2019 Notice of Public Rights.

Action Plan

Rec. No.	Recommendation	Response
Review of Corporate Governance		
R1	The Clerk / Council must ensure that the appropriate statutory period of 30 working days is afforded to the electorate to examine the Council's records.	
Fixed Asset Registers		
R2	Consideration should be given to the development of a photographic register of the Council's asset stock to assist any potential insurance reclaims or police investigations in the event of theft or damage to Council property.	