



Broughton & Milton Keynes Parish Council

Internal Audit Report 2019-20 (Final)

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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 system of internal control and for the conclusions to be reported each year in the Annual Return (AGAR). We at Auditing Solutions Limited have been appointed to provide the Council's internal audit function.

This report sets out those areas examined during the course of our visit to the Council in the 2019/20 financial year, which took place on 20th November 2019 and remotely in May 2020.

Internal Audit Approach

In undertaking our review for the year, 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/Annual Return(AGAR). Our programme of cover has again been designed to afford appropriate assurance that the Council's financial systems remain 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 Report' in the Council's Annual Return (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 undertaken this year, the Council has again maintained more than adequate and effective internal control arrangements. We commend the Clerk for the excellent records kept by her and thank her for her assistance during our audits, which has ensured the smooth progress of our review process.

We have completed and signed the 'Internal Audit Report', having concluded that the control objectives set out in that Report have been achieved within the financial year to a standard adequate to meet the needs of the Council.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Clerk uses the Alpha accounting software to record accounting transactions through the Council's three bank accounts. Lloyds Bank current account, 30 day savings account and CCLA deposit fund.

Our objective in this area is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. To meet the above objectives, we have:

- Ensured that the opening balances recorded on the Alpha accounting system reflect those in the certified 2018-2019 Accounts and Annual Return;
- Ensured that an appropriate cost and nominal coding structure remains in place;
- Ensured that the Alpha accounts system remained in balance throughout the financial year;
- Checked and agreed transactions in the Lloyds Bank account cashbook for the months of April, August 2019 and March 2020 to the relevant bank account statements.
- Checked and agreed the bank reconciliations on the Lloyds Bank account as at 30th April 2019, 31st August 2019 and 31st March 2020 to ensure that there were no long-standing or other anomalous entries with no issues arising;
- Noted that the Council operates electronic banking with a dual mandate system of authorisation. A copy of the payment receipt is attached to the invoice. The payment list is also signed by 2 Councillors and RFO at the meeting.
- Verbally confirmed the arrangements for the back-up and restoration of the accounting system.

Conclusions

We are pleased to report that there are no issues in this area of our review process warranting formal comment or recommendation. We have verified the accurate disclosure of year-end balances in the AGAR.

Review of Corporate Governance

Our objective is to ensure that the Council has robust corporate governance documentation and processes in place, and that, as far as we may reasonably be expected to ascertain (as we do not attend Council or Committee meetings) all meetings are conducted in accordance with the adopted Standing Orders and no actions of a potentially unlawful nature have been or are being considered for implementation. We have: -

- Concluded our examination of the Council's minutes for the current financial year to September 2019 to identify whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability, also ensuring that the Council has not taken, nor is it planning, any actions that might result in ultra vires expenditure;

- Noted that updated Standing Orders were approved by Council at their meeting on 13th May 2019 (Minute Ref FC19/20-26). Financial Regulation were reviewed and readopted at the meeting on 4th November 2019 (Minute Ref 19/20 100-3)
- Further noted that budget information has been provided to members on a regular basis together with schedules of income and expenditure and a schedule of accounts for payment.

Conclusions

We are pleased to report that no matters have arisen in this area of our review process warranting formal comment or recommendation.

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 nominal codes have been applied in entering detail in the cashbooks; and
- VAT has been appropriately identified and been the subject of periodic recovery.

We have examined a sample of 86 payments, including those individually in excess of £750, together with the more random selection of every 20th cashbook transaction, irrespective of value, for the year on the Council's Bank account. Our test sample totals £74,053 equating to 87% of all non-salary related payments for the year to date.

Conclusions

We are pleased to report that no matters have arisen in this area of our review process warranting formal 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 identified 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 the Council has a detailed set of risk assessment documentation in place.
- Reviewed the external auditor's report, issued since our last visit, to confirm they are raising no matters regarding the Councils accounts and governance.

- We are also pleased to note that the Council has in place written procedures to enable operational status to be fully maintained;
- We note that the Council's insurance cover is provided by Zurich plc with the current policy in place to January 2021: we have examined the current year's schedule to ensure that it affords appropriate cover for the present needs of the Council. With cover for Public Liability at £12 million, Employer's Liability at £10 million and Fidelity Guarantee at £500,00, we consider that cover is adequate for purpose.

Conclusions

We are pleased to report that no matters have arisen in this area of our review process warranting formal comment or recommendation.

Review of Income

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, to ensure that 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 note that there are few sources of income additional to the precept, namely rental income from four sites and allotments.

On this visit we examined allotment income, checking a sample from issue of the payment request to receipt of the payment. The 4 active sites are administered using the RBS allotment software. Payment requests are sent by email. Once payments are received they are posted from the bank statement to appropriate codes in the accounting system, as they the two systems are not connected.

Conclusions and Recommendations

We are pleased to report that no issues have been identified in this area, warranting further comment.

Petty Cash Account

The Council does not operate a petty cash account: the clerk reclaiming any out-of-pocket expenses as and when they are incurred.

Salaries and Wages

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the requirements of HM Revenue and Customs (HMRC) with regard to the deduction and payment over of income tax and national insurance contributions, together with meeting the requirements of the local government pension scheme, as most recently and significantly amended.

The Council employs two members of staff for which the PAYE scheme was administered inhouse using HMRC payroll tools from April to September 2019. From October 2019 this is to be fully

outsourced to MP Payroll Services. We have reviewed the salary calculations for July and August 2019 and in this regard we have:

- Checked to ensure that the Council has approved employee pay rates for the financial year and that these have been duly and accurately applied;
- Checked to ensure that appropriate tax codes have been applied and deductions calculated accordingly;
- Checked to ensure that national insurance deductions were being computed accurately;
- Verified the accurate application of the revised pension requirements for the year;
- Checked to ensure that, where additional / overtime hours have arisen, appropriate timesheets are in place and that these were signed by the employee and approved by a supervising officer or, in the case of the Clerk, by a member;
- Verified the net payslip outturns to the electronic payments identified in both the cashbook and relevant bank statement; and
- Verified that the revised, extant HMRC legislation requiring monthly electronic payroll submissions are being completed and submitted to HMRC in accordance with the required time scale.

Conclusions

We are pleased to report that no matters have arisen in this area of our review process warranting formal comment or recommendation.

Asset Registers

The Governance and Accountability Manual requires all councils to develop and maintain a register of assets identifying detail of all land, buildings, vehicles, furniture and equipment owned by the Council.

We are pleased to note that the Clerk had prepared a detailed asset register. There were no additions or disposals in the 2019-20 financial year.

Conclusion

We are pleased to report that no matters have arisen in this area of our review warranting formal comment or recommendation; we have ensured that the correct value of fixed assets has been recorded in the AGAR.

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 to be precepted on the District Council; 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 have;

- Confirmed that the precept of £189,152 was approved by Council at their meeting in January 2020, minute ref FC19-116).
- Noted from our review of the minutes that members continue to be provided with regular management accounting information and budget updates.

Finally, we note that, as at 31st March 2020, Total Reserves stood at £151,436 and that Earmarked Reserves at £99,864. The balance of general reserves of £51,572 equates to just under four months expenditure and is within of the guidelines of between three and six months revenue spending.

Conclusions

We are pleased to report that no matters have arisen in this area of our review process warranting formal comment or recommendation.

Statement of Accounts and Annual Return

The Accounts and Audit Regulations require all Councils to prepare annually a Statement of Accounts in the AGAR, which now forms the statutory Accounts subject to external audit scrutiny and certification.

We have checked and agreed entries in the Statement of Accounts generated by the accounting software to the underlying Trial Balance and other documentation provided. Similarly, we have checked and agreed the financial data reported to the AGAR.

Conclusions

No issues have been identified in relation to the verification of detail in the Statement of Accounts and AGAR this year.

On the basis of our detailed work during the course of the year on the Council's systems of financial control and content of the detailed Statement of Accounts and that summarised detail set out in the AGAR, we have signed off the Internal Audit Report of the AGAR assigning positive assurances, in each relevant area.