

Old Windsor Parish Council

Internal Audit Report 2021-22 (Final update)

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Background

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, during our two visits to the Council, which took place on 27th October 2021 & 25th April 2022.

Internal Audit Approach

In undertaking our review for 2021-22 and in accordance with the requirements of the IA Certificate in the AGAR and the latest 2021-22 edition of the Governance and Accountability Manual, we have again paid due regard to the materiality of transactions and their susceptibility to potential misrepresentation in the Accounts / AGAR, together with examining the overall governance framework. Our aim is to ensure that the Council continues to operate robust control systems and that transactions are, as far as we are able to ascertain, processed in accordance with national and locally approved legislation and controls.

Overall Conclusion

We are pleased to record that the Council continues to maintain adequate and effective internal control arrangements with only one or two non-material issues identified this year, detail of which is set out in the body of the report with resultant recommendations summarised in the appended Action Plan. We are also again pleased to acknowledge the quality of records maintained by the Clerk with the assistance of the Lead Member for Finance (LMF).

We have duly completed and signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

We take this opportunity to remind the Clerk and Council of the requirements of the guidance notes in the preface to the year's AGAR in relation to the documentation that should be displayed on the Council's website, together with the need to ensure compliance with the timing requirements for publication of the Notice of Public Rights to examine the Council's documentation for the financial year.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Council uses the Omega software to process the Council's financial transactions operating two bank accounts with Unity Bank (Current and Deposit) .

Our objectives in this area are to ensure that the accounting records are being maintained accurately and in a timely manner with detail reconciled routinely to the bank accounts in use. We have consequently -

- Verified that the closing balances, as reported in the 2020-21 Statement of Accounts and certified AGAR, have been “rolled-forward” correctly as opening balances for 2021-22;
- Ensured that the financial ledger remains in balance at the financial year-end;
- Verified transactions on the current account for five months during the year (April, July and September 2021, plus January and March 2022);
- Verified transactions on the Reserve account for the full financial year (only 3 interest receipts);
- Verified detail of the month-end bank reconciliations on the current account as of 30th April; 31st July and 30th September 2021, plus 31st January and March 2022;
- Reviewed the procedures in place for preparing and authorising journals, together with the controls in place over the review of bank reconciliations; and
- Ensured the accurate disclosure of the combined year-end balances in the AGAR at Section 2, Box 8.

Conclusions

We are pleased to report that no issues arise from work completed in this area this year, noting that a non-signatory member has been appointed to and is undertaking a regular review of bank reconciliations.

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 may reasonably be expected to ascertain, as we do not attend meetings, no actions of a potentially unlawful nature have been or are being considered for implementation. We also aim to ensure that appropriate policies, procedures and protocols are in place to prevent and provide a reasonable assurance of the detection of any fraudulent or corrupt activity.

We noted previously that SOs and Financial Regulations (FRs) are both in place and are based on the NALC Model documents, noting that they have not been reviewed and re-adopted for a couple of years.

We have reviewed the Council's minutes for the financial year checking to ensure that there are no significant issues arising that might give rise to ultra vires expenditure or other forms of potentially unlawful activity, also that the Council is continuing to manage its resources effectively and are

pleased to record that no indications exist of potential problems with the Council's ongoing financial viability.

We are also pleased to note that the external auditors "signed-off" the 2020-21 AGAR Certificate without comment or recommendation.

Conclusions

We are pleased to record that no matters arise warranting formal comment or recommendation in this area in this area this year. We have previously suggested that, in line with best practice, both SOs and FRs should be subjected to periodic review and re-adoption, ideally at least once every two or three years and note the Clerk's intention to expedite a review in early 2022-23.

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- All payments are subject to approval by the relevant lead member in accordance with the Council's approved procedures;
- 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 and coded to the control account for periodic recovery.

We have again reviewed the Council's approach to the approval and authorisation of the release of moneys to traders and staff and consider that they remain sound. We have now selected an extended sample of 55 payments processed in the year to check for compliance with the above criteria. Our test sample includes all those payments individually in excess of £1,000, plus every 25th as recorded in the cashbook and totals £107,715 equating to 60% by value of non-pay related expenditure in the year.

We have also reviewed and verified the accuracy of the first three 2021-22 quarterly VAT reclaims submitted to HMRC for 2021-22 noting that all have been repaid appropriately. We will check recovery of the final quarter's reclaim at our 2022-23 interim review.

Conclusions

We are pleased to record that no issues have arisen from our work in this area warranting formal comment or recommendation other than noting a duplicated payment of £234 in January 2022 to one of the Council's grounds maintenance contractors: we have discussed this with the Clerk and LMF noting that the duplicated payment arose due to a delay in the bank recording / settling the initial transaction: the contractor has been contacted and agreed to refund / credit the Council with the overpaid amount.

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.

We have examined the current year's insurance schedule noting cover has again been provided by Zurich with Employer's and Public Liability cover in place at £10 million and £12 million respectively, together with Fidelity Guarantee cover at £250,000 and Hirer's Liability at £2 million all of which we consider appropriate for the Council's present needs.

We have recorded previously that, following continued problems with the LCRS software, the Council acquired a selection of risk registers from neighbouring councils, culling and adapting them to meet Old Windsor's specific requirements. We are pleased to note the completion of a further detailed review by the Clerk and formal adoption by Council of the financial risk register at the August 2021 meeting.

Conclusions

No issues arise in this area currently: we shall continue to monitor the Council's approach to risk management at future visits.

Budgetary Control and Reserves

We aim in this review area 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 annual precept; 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 are pleased to note that, following due deliberation, the Council formally adopted the 2022-23 budget and precept at the January 2022 meeting, setting the latter at £174,377.

We are pleased to record that members continue to receive periodic budget monitoring reports through the year presented by the LMF and have examined the year-end outturn obtaining appropriate explanations for the few significant variances existing warranting further enquiry.

We have again considered the level of retained reserves at the financial year-end noting that they have increased marginally to £281,753 (£267,119 at 31st March 2021), with EMRs also increased to £117,119 (£106,599 at 31st March 2021) including £59,419 in respect of S.106 funds. The residual General Reserve balance of £164,263 (£160,528 as at 31st March 2021) equates to approximately 10 months' revenue spending at the 2020-21 level and is considered appropriate for the Council's ongoing revenue spending requirements.

Conclusions

We are again pleased to record that no issues arise in this area this year.

Review of Income

The Council continues to receive income from a small number of sources in addition to the precept including cemetery activities, sports and rifle club rentals, bank interest, allotment rents, sundry grants and donations and recovered VAT.

We reviewed the procedures in place relating to the identification and recovery of fees in relation to interments at our interim visit selecting a sample of 13 occurring to 30th September 2021 ensuring that all appropriate legally required documentation was held (i.e., Burial and / or cremation certificates) and that appropriate fees have been charged and recovered.

We also noted that the Council continues to operate the Rialtas allotment software to manage the allocation of plots and recovery of rents: we examined the related data output at our interim review ensuring that the appropriate rents were invoiced and recovered in the current financial year with none remaining unpaid. We also noted that all tenants had paid a refundable deposit, detail of which is appropriately recorded in the Omega accounts as a liability.

We have also examined the detailed income transaction reports for the financial year to ensure that, as far as we can reasonably establish, all income due has been received and banked appropriately.

Conclusions

We are again pleased to record that no issues have arisen in this area warranting formal comment or recommendation.

Petty Cash Account & Use of Debit / Credit Cards

The Council does not operate a petty cash account as such: however, a Unity Trust Bank Debit Mastercard is in place with a £500 limit, which is used to meet any ad hoc purchases and achieve savings by purchasing through the internet where appropriate: the account is settled monthly as and when any expenditure occurs. We have examined a sample of transactions as part of our aforementioned payment review with no issues arising.

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 relating to the deduction and payment over of income tax and NI contributions.

We note that preparation of the payroll continues to be outsourced to an external provider, also noting that the Clerk and two Village Wardens' salaries are paid in accordance with national NJC scales applying since 1st April 2020 (no agreement has been reached on a 2021-22 pay settlement). The Council has, during December 2021, assumed responsibility for paying the salary of an Outreach Worker: her salary was previously paid by RBWM with grant funding provided by the Parish Council.

Consequently, we have: -

- Ensured that the gross salaries applied in 2021-22 to the Clerk and two Village Wardens have been paid at the approved rates and, where applicable, approved working hours by

reference to the September 2021 and March 2022 payslips, also noting application of the national 2021-22 pay award and arrears backdated to 1st April 2021 with the March 2022 salaries;

- Checked and agreed detail of the computations of tax and national insurance deductions for both months;
- Verified the resultant net salary payments made to the three staff for September 2021 and all for March 2022; and
- Ensured the appropriate payment of tax and NI contributions to HMRC for those same two months.

Conclusions

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

Asset Registers / Inventories

The Practitioner's Guide requires all councils to maintain a record of all assets owned. We are pleased to note compliance with this requirement and have examined the Council's register in order to ensure that it has been updated to reflect any new additions and / or disposals in the year. As last year, we note that the dates when assets were acquired is not recorded in the register and, whilst appreciating that the detail may not be available for several older acquisitions, we urge that where the information is known or can be reasonably easily acquired, it be recorded accordingly. We also suggest that, when assets are disposed of the register value for those assets is adjusted to NIL with the disposal date recorded.

We have also made previous reference to the potential benefits of developing a photographic register of potentially at risk assets (street furniture, office equipment, etc), which a number of our clients have found of assistance when pursuing either an insurance claim or in assisting any police enquiry where theft or wilful / accidental damage has occurred.

Conclusions and recommendations

No issues of concern arise in this area of our review process, although, as indicated above we suggest that the asset register should be expanded to record the dates when assets were acquired and disposed of.

R1. The asset register should, ideally, be expanded to record the dates when assets are acquired and / or disposed of in future.

Investments and Loans

The Council has no long-term investments, surplus funds being held currently in the Unity Bank Deposit account, which is currently not attracting any interest due to the Covid situation. We have made previous reference to the potential improved rate of return were surplus funds placed in alternative banking institutions, such as the CCLA Deposit Fund, which affords instant access and has previously afforded a better rate of interest return than has been received from the Unity Bank.

We have also previously noted the production and formal adoption by Council of an appropriate Investment Strategy, as required following legislative changes to Section 15(1)(a) of the Local Government Act 2003, applying from 1st April 2018.

The Council currently has two outstanding PWLB loans repaid at half-yearly intervals. We have, as part of our above payment review / testing, verified detail of the half-yearly loan repayments for the current year by reference to the PWLB third-party demands and haven now, at this final visit, confirmed the outstanding loan liability to be reported in the AGAR at Section 2, Box 9 by reference to the UK Debt Agency website, where detail of all local council outstanding loans are recorded.

Conclusions

Given the impact of the Covid situation, we do not make any formal recommendation, but suggest that potential alternative investment opportunities continue to be investigated to ensure that the Council maximises its interest recovery potential. of the residual loan liability as of 31st March 2022.

Statement of Accounts and AGAR

The Clerk and LMF have, as in previous years, with assistance from the external contractors (RBS Software), prepared the necessary Annual Accounts and statutory AGAR detail from the Omega accounting system: we have checked and agreed the detail therein to the underlying data in the software and other supporting documentation. In checking that detail, we noted that the Outreach Worker's net salary has not been linked as a staff cost in the accounting software with a resultant understatement of the staff costs reported in the AGAR at Box 4, with a corresponding overstatement of "All other expenditure" at Box 6. We have discussed this with the Clerk and LMF agreeing that a manual amendment will be made to the Omega recorded AGAR entries and that the correct linking will be applied in 2022-23, most with a new specific nominal account code established to record the Worker's salary.

We have also again considered the appropriateness of the procedures in place for identifying year-end debtors and creditors again with no issues arising.

Conclusions

We are pleased to record that no matters have arisen in this review area warranting formal recommendation, but ask that we be provided with the revised detail of entries at Boxes 4 & 6 of the 2021-22 AGAR Section 2 once calculated.

Based on the work undertaken during the year and overall satisfactory results of that work, we have duly signed off the IA Certificate in the AGAR assigning positive assurances in each relevant area.

We also remind the Clerk that the Council must ensure compliance with the disclosure requirements and timing for publication of all required documentation on the Council's website as set out in the preface to the AGAR.

Rec. No	Recommendation	Response
Fixed Asset Register		
R1	The asset register should, ideally, be expanded to record the dates when assets are acquired and / or disposed of in future.	