

Old Windsor Parish Council

Internal Audit Report 2021-22 (Interim)

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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 interim visit to the Council, which took place on 27th October 2021: it will be updated following our final visit, the date of which has yet to be agreed but will be timed to follow closure of the year's Accounts and once the AGAR is ready for sign-off.

Internal Audit Approach

In commencing 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 no issues identified at this stage of the year's review warranting formal comment or recommendation. 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).

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 the 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 as of 30th September 2021;
- Examined the coding schedule, which we consider remains appropriate for the Council's requirements;
- Verified transactions on the current account for three months (April, July and September 2021);
- Noted that no transactions have occurred on the Reserve account for the financial year to date;
- Verified detail of the month-end bank reconciliations on the current account as of 30th April; 31st July and 30th September 2020; and
- Reviewed the procedures in place for preparing and authorising journals, together with the controls in place over the review of bank reconciliations.

Conclusions

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

We shall extend our examination of accounting transactions at the final review, also ensuring the accurate disclosure of the combined year-end balances in the AGAR at Section 2, Box 8.

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, based on the NALC Model document, were reviewed and formally adopted by the Council. We also note that the NALC Model Financial Regulations (FRs) were adopted at the December 2019 meeting of the Council.

We have commenced our review of the Council's minutes for the financial year reading those for meetings held to October 2021 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 have "signed-off" the 2020-21 AGAR Certificate without comment or recommendation.

Conclusions

No matters arise warranting formal comment or recommendation in this area currently: we shall extend our review of minutes at our final review also continuing to assess the Council's approach to governance. We would, however, suggest 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.

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 selected an initial sample of 28 payments processed to 30th September 2021 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 £55,700 and equates to 66% by value of non-pay related expenditure in the year to date.

We have also reviewed and verified the accuracy of the final 2020-21 and first 2021-22 quarterly VAT reclaims submitted to HMRC noting that both have been repaid appropriately.

Conclusions

We are pleased to record that no issues have arisen from our work in this area warranting formal comment or recommendation at this stage: we shall extend our test sample for review at the final visit, together with examination of further quarterly VAT reclaims covering the remainder of the financial year.

Assessment and Management of Risk

We have examined the current year's insurance schedule with cover again provided by Zurich noting that Employer's and Public Liability cover are 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 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.

This visit occurred in advance of the Council's deliberations on the 2022-23 budget and precept requirement: consequently, we will check the outcome of those deliberations at our final visit ensuring that both are formally approved and adopted.

We are pleased to note that members continue to receive quarterly budget monitoring reports through the year presented by the LMF and have examined the position as of 30th September 2021 with no unanticipated or unexplained variances existing warranting further enquiry.

Conclusions

We are again pleased to record that no issues arise in this area currently: we will undertake further work at our final visit, ensuring that the Council has formally considered and adopted the 2022-23 budget and precept, reviewing the year-end budget outturn and assessing the appropriateness of the retained reserves to meet the Council's ongoing revenue spending requirements and any future development aspirations.

Review of Income

The Council continues to receive income from a relatively 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 have reviewed the procedures in place relating to the identification and recovery of fees in relation to interments at this 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 note that the Council continues to operate the Rialtas allotment software to manage the allocation of plots and recovery of rents: we have examined the related data output ensuring that the appropriate rents have been invoiced and recovered in the current financial year with none remaining unpaid currently. We also note that all tenants have now 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 date 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 to date warranting formal comment or recommendation. We will undertake further work in this area at our final review visit.

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 again 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).

Consequently, we have: -

- Ensured that the gross salaries applied in 2021-22 to the Clerk and two Village Wardens are paid at the approved rates and, where applicable, approved working hours by reference to the September 2021 payslips;
- Checked and agreed detail of the computations of tax and national insurance deductions for the same month;
- Verified the resultant net salary payments made to the three staff for September 2021; and
- Ensured the appropriate payment of tax and NI contributions to HMRC for the year to date.

Conclusions

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

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 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 three outstanding PWLB loans repaid at half-yearly intervals. We have, as part of our above payment review / testing, verified detail of the first half-yearly loan repayment for the current year by reference to the PWLB third-party demand.

Conclusions

Given the impact of the Covid situation, we do not make any formal recommendation at this stage of our review process but suggest that potential alternative investment opportunities continue to be investigated to ensure that the Council maximises its interest recovery potential. We shall undertake further work in this area at our final visit, ensuring the accurate repayment of the second half-yearly loan repayment and verifying the accurate disclosure of the residual loan liability as of 31st March 2022.