

Oldbury on Severn 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 reviews which have been undertaken partly at our offices and during visits to the Clerk's home on 15th October 2021 and 14th April 2022. We wish to thank the Clerk in assisting the process, providing all necessary documentation in either electronic or hard copy format to facilitate completion of our review for the year.

Internal Audit Approach

In undertaking our review, 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 / AGAR. Our programme of cover is 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 'IA Certificate', as part of the Council's AGAR process, which requires independent assurance over several internal control objectives.

Overall Conclusion

We are pleased to conclude that, based on the programme of work undertaken this year, the Clerk and Council continue to maintain generally adequate and effective internal control arrangements, although we identified one or two areas at our interim review where we considered action was required to further enhance and strengthen existing controls, Detail of those issues is set out in the body of the following report with resultant recommendations further summarised in the appended Action Plan: we have, at this final review, also incorporated our understanding of the present position on each of the recommendations in the body of the report and also in the appended Action Plan.

One further issue has been identified at this final review in relation to absence of any formal review and re-adoption of the Council's financial risk assessment during the course of the year, as required by the Governance and Accountability Manual – "The Practitioner's Guide".

We have completed and signed the 'IA Certificate' in the year's AGAR assigning positive assurances in each relevant area, excepting that relating to risk assessments, having concluded that in all but that one respect, the control objectives set out in that report have been achieved throughout the financial year to a standard adequate to meet the needs of the Council.

We take this opportunity to remind the Clerk of the requirements set out in 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

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 the Scribe accounting software in use during the financial year. Four bank accounts were in use at the commencement of the year, the main Council's account with NatWest, together with an NS&I account and the two Playing Field Committee (PFC) accounts with Santander, both of which (Santander) have been closed during the year with residual funds transferred to the Council's main NatWest account, detail of which we have verified.

We have undertaken the following work in this area this year: -

- Verified the accurate carry forward of the 2020-21 closing balances as opening balances for 2021-22 in the Scribe accounts;
- Ensured that an appropriate coding analysis of receipts and payments remains in place within the Scribe accounts;
- Checked the full financial year transactions on all accounts as recorded in the Scribe accounting software by reference to supporting bank statement detail;
- In conjunction with the Clerk and the Scribe help desk, reviewed / helped the appropriate amendment to the combined account bank reconciliation as at 30th September 2021: we have at this final review checked and agreed the reconciliation detail as of 31st March 2022, noting that 4 payments in the month remained unpaid at the year-end; and
- Ensured the accurate disclosure of the combined account balances in the year's AGAR at Section 2, Box 8.

Conclusions and recommendations

In reviewing the Scribe "cashbook" entries at our interim review, we noted that the final two transfers of funds on closure of the PFC Committee accounts totalling £399.70 had been recorded as receipts in the Scribe Accounts: as these were purely internal transfers, they should not have been recorded as receipts in Scribe. Additionally, in examining the 30th September 2021 bank reconciliation it became apparent that an imbalance of £437.70 existed, part of which was attributable to the mis-posting of the closing PFC account balances. Whilst we had not identified the source of the residual £38.00 imbalance, we believed it to probably be the result of a potential duplicated entry in respect of an Eon / Npower monthly direct debit payment – this was subsequently confirmed with an appropriate amendment made.

At our interim review, we advised the importance of reconciling the Scribe accounts at the close of each month: also recoding that, in accordance with the Council's adopted Financial Regulations (FRs - Para 2.2 refers), the resultant reconciliations should be examined, with month-end balances verified to bank statements and the total values recorded in the Scribe Receipts and Payments "cashbooks". The formal Scribe generated bank reconciliations, together with the Scribe generated listings of any uncleared receipts or payments at the reconciliation date should be provided to a nominated councillor, as indicated in the FRs at least quarterly with all documents duly signed-off and dated by the reviewing councillor.

R1. The identified imbalance in the reconciliation at 30th September 2021 should be examined further, and appropriate action be taken to correct the identified two incorrect entries on

*transfer of the closing PFC account balances, together with the unidentified source of the residual £38.00 imbalance. **The anomaly has been resolved appropriately in conjunction with the software supplier.***

- R2. *To comply with the best practice and the adopted Financial Regulations, bank reconciliations should be prepared at each month-end and be subjected to independent scrutiny and “sign-off” at least once quarterly as required by the adopted Financial Regulations (Para 2.2 refers), together with the underlying Scribe “cashbook” detail and bank statements. **This is now being undertaken although documentation has not been signed-off to date: this will be actioned appropriately in 2022-23.***

Review of Corporate Governance

Our objective here is to ensure that the Council has robust corporate governance documentation and procedures in place; that Council meetings are conducted in accordance with the adopted Standing Orders (SOs), that appropriate controls are in place over the management of public funds and that, as far as we are reasonably able to ascertain as we do not attend meetings, no actions of a potentially unlawful nature have been or are being considered for implementation.

To meet that objective, we have examined the Council’s and Standing Committee’s minutes for the financial year to determine whether any issues exist that may have an adverse effect, through litigation or other causes, on the Council’s future financial stability and are pleased to record that no such issues have been identified.

We note that both the Council’s SOs and FRs were reviewed and updated in line with the latest NALC model documents both being re-adopted by the Council at the July 2020 meeting.

We understood last year that no formal documentation existed setting out the Council’s approved financial procedures (frequently rather derogatorily referred to as “idiot’s guides”). Whilst not an essential or legal requirement, we consider that these should be produced in order to help ensure easy and effective continuity management in the event of the Clerk leaving or being absent for an extended period with no opportunity for effective hand-over of the approved processes. The former Clerk had indicated her intention to develop appropriate documentation, but we understand that any such detail has not, yet been created: consequently, we reiterated our prior year recommendation in the interim report in order that this was not overlooked.

We are pleased to note that the external auditors signed off the 2020-21 AGAR with no issues reported therein, also noting the appropriate posting of the “Notice of Public Rights” to examine the Council’s 2020-21 financial records as required by the 2015 Accounts and Audit Regulations.

Conclusions and recommendation

Whilst no significant concerns arise in this area, we reiterate our previous recommendation that appropriate detailed financial procedure notes should be developed and be approved by the Council.

- R3. *In order to help ensure effective continuity of service provision and ongoing effective financial control in the event of any long-term absence of key officers and in line with best practice, consideration should be given to the development of formalised financial procedures. **An appropriate register of procedures has been developed.***

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and approved 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 payments are being reported to Council;
- VAT has been calculated correctly for periodic recovery;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount; and
- That all payments have been coded appropriately.

We have examined the documentation supporting payments made in the financial year noting at our interim review that none was held relating to the monthly fuel direct debit payments made to Eon / Npower and BT, although we note that detail is available on the suppliers' websites. We urge that copies be printed and retained to afford appropriate evidence of the VAT expended on these payments: this will provide appropriate supporting evidence if the Council should receive a VAT inspection.

We are also pleased to note that, following our initial 2019-20 review, revised arrangements were implemented and continue in place with invoices (excepting those relating to Eon / Npower) being checked against the payments list by two councillors prior to cheques being signed with an appropriate rubber stamp placed on each invoice and duly initialled. We are also pleased to note that most invoices continue to be scanned and saved to the Scribe accounting software.

At our interim review, we noted that no VAT reclaims for 2019-20 or 2020-21 had, at that time, been prepared and submitted to HMRC: we now note that a reclaim covering 2019-20 has been submitted and repaid and urge that appropriate reclaims for 2020-21 and 2021-22 be prepared and submitted as soon as practicable.

Conclusions and recommendations

Whilst no significant concerns arise in this area, we urge that all documentation supporting the Council's payments is subjected to appropriate scrutiny by members, indicating completion of that scrutiny by initialling the certification stamp that should be affixed to each payment document.

- R4. All documentation supporting payments should be subjected to the same level of scrutiny and evidenced "sign-off" of payment approval. **Agreed and actioned accordingly.***
- R5. VAT reclaims covering expenditure during 2020-21 and 2021-22 should be prepared and submitted to HMRC as soon as practicable.*

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 recorded in last year's final report that a formal Risk Register was in place, that it had been reviewed and formally adopted during the financial year, as required by "The Practitioner's Guide". We note that, contrary to the requirements of "The Practitioner's Guide", the register has not been subjected to subsequent scrutiny or formal re-adoption during 2021-22. We have discussed this with the Clerk who has agreed to ensure that appropriate action will be taken early in 2022-23 to re-adopt such a document. To assist the process, we have provided the Clerk with a more detailed financial risk register format employed by a number of our clients suitably tailored to their specific circumstances: we suggest that the document be used as a template for tailoring to the Council's specific requirements, presentation to and formal adoption by the Council as soon as is practicable.

The Council's insurance cover is provided by AXA through Came & Co: we have examined the year's schedule and consider that appropriate cover is in place with Employer's and Public Liability both set at £10 million, and Fidelity Guarantee cover at £150,000.

We have recorded previously that inspections of the playing fields and the attached play area are undertaken annually by RoSPA with further on-site inspections undertaken by members of the Playing Field Committee (PFC). We also understood that records of the results of those inspections were maintained and suggested that those individuals undertaking the "local" inspections should receive the appropriate level of RoSPA accredited training, but have again seen no indication that the individuals concerned have received such training.

As any potential injury sustained on the Council's premises could result in a claim for compensation, we urge that members reconsider their previous decision not to arrange for appropriate RoSPA accredited training for those people undertaking the periodic reviews: we have also suggested to the Clerk that she check with the insurers to establish their views in this respect and their recommendation on the required level of training that they would expect to be provided for those undertaking the reviews.

Conclusions and recommendation

The Council must ensure compliance with the requirements of "The Practitioner's Guide" reviewing and formally adopting a Financial Risk Register at least once annually. The absence of action in this respect during 2022-22 will necessitate the Council giving a negative assertion the AGAR Governance Statement at Box 5.

Also as above, we suggest that the Clerk checks with the Council's insurer to establish what degree of formal training those individuals undertaking periodic reviews of the Council's playing field and play areas should receive. We shall continue to review the Council's risk management procedures and documentation at future visits and report accordingly.

- R6. *To ensure compliance with the requirements of the Governance and Accountability Manual - "The Practitioner's Guide", the Financial Risk Register should be reviewed, updated (if appropriate) and re-adopted at least once annually.*
- R7. *In order to ensure the Council is appropriately covered for any potential claims for injury sustained on its premises, the Clerk should seek guidance from the insurers as to the level of*

professional RoSPA accredited training they consider is required for those individuals undertaking the periodic reviews of play areas and playing fields taking appropriate action to ensure the necessary training is provided.

Precept Determination and Budgetary Control

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 amount to be precepted on the parent 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 note that the Council has considered its budgetary requirements for 2022-23 agreeing the budget and precept at the January 2022 meeting formally approving and adopting the latter at £17,595.

We are also pleased to note that the Clerk provides members with detail of the Council's budgetary performance at each meeting and have reviewed the year-end outturn report generated by the Scribe software with no areas of concern identified warranting further comment or enquiry.

We also note that the Council holds accumulated funds of £67,218 (£65,880 at 31st March 2021), with the Scribe software identifying earmarked reserves of £37,678 within that sum. The residual £29,340 held in the General Reserve equates to approximately 14 months' revenue spending at the 2021-22 level and is considered more that appropriate for the Council's present requirements.

Conclusions

There are no issues arising in this area warranting formal comment or recommendation this year.

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, albeit relatively limited sources, to ensure that income is invoiced where appropriate, in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council.

Examination of the Scribe accounts for the year reveals that only limited income has occurred, including monthly income from Busy Bees and occasional hire of the pavilion, plus CIL moneys.

We have suggested previously that consideration be given to implementing a formal booking diary for hire of sports and room facilities, which had understandably, in view of the reduced activity as a result of the Covid situation, neither been required nor actioned to the date of our interim review with only limited hires occurring subsequently. We consider it essential that appropriate controls are put in place with an effective audit trail over the hire of Council facilities with a formal booking diary and applications / hire agreements obtained once the facilities are again open to and hired regularly by the general public.

Conclusions and recommendations

Whilst acknowledging the impact of Covid on the use of Council facilities, we urge that members further consider the position regarding “free” hire / usage of sports facilities, also implementing a formal diary booking system for room hires now that the pavilion is open to the general public.

- R8. ***The continued provision of “free” hire of the facilities should be reconsidered in due course. Members have discussed and agreed to retain the “free” hire facility, but to encourage hirers to make a voluntary contribution.***
- R9. ***Once the use of Council facilities returns to a state of more normality, consideration should be given to the implementation of a formal diary recording all bookings to provide the Council with a clear indication of actual usage and potential income. The Clerk is now acting as the bookings officer controlling all hires.***

Petty Cash Account

The Council does not operate a petty cash account.

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 requirements of HMRC legislation and the deduction and payment over of income tax and NI contributions. To meet this objective, we have examined the September 2021 & March 2022 payslips for the Clerk. We have: -

- Ensured that the Clerk’s gross pay and that of the former clerk in her assisting role has been calculated accordingly by reference to the approved spinal point on the pay scale, ensuring that the monthly gross salary payment has been made appropriately;
- Noted that the Clerk’s salary is below both the Income Tax and National Insurance contribution thresholds, and
- Ensuring the appropriate net salary payment is being made to the Clerk each month.

We note that the nationally agreed 2021-22 pay award has not been implemented during the financial year, the Clerk continuing to be paid at the 2020-21 salary scale rate: we have also seen no indication that the Council has considered whether the Clerk should receive annual increments on the anniversary of her appointment,

Conclusions and recommendation

Whilst no significant concerns arise in this area, we urge that the 2021-22 pay award be implemented as soon as practicable with members also considering whether or not the Clerk’s annual salary should be the subject of incremental progression up the national pay scale.

- R10. ***The 2021-22 national pay award should be applied to the Clerk’s salary as soon as practicable in 2022-23 with members also considering and deciding whether her salary should be subject to annual incremental progression up the national scale: any such decision should be minuted formally.***

Fixed Asset Registers

The Practitioner's Guide requires all Councils to maintain a comprehensive register of all assets owned and leased by the Council. We aim to ensure that such a register is in place, that it is comprehensive and contains all the basic information that should, ideally, be embodied in the record.

We are pleased to note the existence of a detailed register, which has been reviewed during the financial year with the appropriate detail and financial values now recorded in the Scribe accounts: we have consequently ensured that the total recorded value of these assets has been reported accordingly in the year's AGAR at Section 2, Box 9.

Conclusions

No matters have been identified in this area this year warranting comment or formal recommendation, although the Council may wish to consider developing a photographic register of street furniture and the like which may assist the progression of any insurance reclaim in the event of any wilful or accidental damage to Council property.

Investments and Loans

The Council has no "investments" or "loans" in place currently, all funds being held in the two bank accounts with occasional and generally small amounts of interest received.

Statement of Accounts and AGAR

The AGAR, Section 2, now forms the Council's formal Statement of Accounts subject to external audit examination and certification. We have, as a courtesy to the Council, checked and agreed the accuracy of the values to be recorded in the Part 3 AGAR at Section 2 for 2021-22 to the underlying detail in the Scribe accounts.

Conclusions

We are pleased to record that no issues have arisen in this area warranting formal comment or recommendation and have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area, excepting that in relation to risk management: the Council will also need to record a negative assertion in the AGAR Governance Report in the AGAR at Section 1, Box 5.

Rec. No.	Recommendation	Response
Review of Accounting Arrangements and Bank Reconciliations		
R1	The identified imbalance in the reconciliation at 30 th September 2021 should be examined further, and appropriate action be taken to correct the identified two incorrect entries on transfer of the closing PFC account balances, together with the unidentified source of the residual £38.00 imbalance.	<i>The anomaly has been resolved appropriately in conjunction with the software supplier.</i>
R2	To comply with the best practice and the adopted Financial Regulations, bank reconciliations should be prepared at each month-end and be subjected to independent scrutiny and “sign-off” at least once quarterly as required by the adopted Financial Regulations (Para 2.2 refers), together with the underlying Scribe “cashbook” detail and bank statements.	<i>This is now being undertaken although documentation has not been signed-off to date: this will be actioned appropriately in 2022-23.</i>
Review of Corporate Governance		
R3	In order to help ensure effective continuity of service provision and ongoing effective financial control in the event of any long-term absence of key officers and in line with best practice, consideration should be given to the development of formalised financial procedures.	<i>An appropriate register of procedures has been developed.</i>
Review of Expenditure and VAT		
R4	All documentation supporting payments should be subjected to the same level of scrutiny and evidenced “sign-off” of payment approval.	<i>Agreed and actioned accordingly.</i>
R5	VAT reclaims covering expenditure during 2020-21 and 2021-22 should be prepared and submitted to HMRC as soon as practicable.	
Assessment and Management of Risk		
R6.	To ensure compliance with the requirements of the Governance and Accountability Manual - “The Practitioner’s Guide”, the Financial Risk Register should be reviewed, updated (if appropriate) and re-adopted at least once annually.	
R7	In order to ensure the Council is appropriately covered for any potential claims for injury sustained on its premises, the Clerk should seek guidance from the insurers as to the level of professional RoSPA accredited training they consider is required for those individuals undertaking the periodic reviews of play areas and playing fields taking appropriate action to ensure the necessary training is provided.	

Rec. No.	Recommendation	
Review of Income		
R8	The continued provision of “free” hire of the facilities should be reconsidered in due course, once the Covid situation has improved.	<i>Members have discussed and agreed to retain the “free” hire facility, but to encourage hirers to make a voluntary contribution.</i>
R9	Once the use of Council facilities returns to a state of more normality, consideration should be given to the implementation of a formal diary recording all bookings to provide the Council with a clear indication of actual usage and potential income.	<i>The Clerk is now acting as the bookings officer controlling all hires.</i>
Review of Staff Salaries		
R10	The 2021-22 national pay award should be applied to the Clerk’s salary as soon as practicable in 2022-23 with members also considering and deciding whether her salary should be subject to annual incremental progression up the national scale: any such decision should be minuted formally.	