
Hockley Parish Council

Internal Audit Report 2020-21 (Final)

John Watson

*For and on behalf of
Auditing Solutions Ltd*

Background

All town and parish councils are required by statute to make arrangements 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). Auditing Solutions Ltd has provided this service to Hockley Parish Council since 2008-09.

Due to the continuing Covid-19 restrictions we were not able to attend at the Parish Council's offices to conduct this interim audit but were able, with the cooperation of the Clerk, to collect the relevant records from the Council and conduct the audit in our own office.

This report sets out the work undertaken in relation to the 2019-20 financial year, during the course of our first interim audit which took place on 31st October 2020 and our final audit which took place on 26th May 2021.

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 misrecording or misrepresentation in the year-end Statement of Accounts/AGAR. Our programme of cover continues to be 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 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 to date this year, the Council has again maintained adequate and effective internal control arrangements. We thank both the Responsible Financial Officer (RFO) and the Clerk for their assistance, which has ensured the smooth progress of our review process.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Council is continuing to use the bespoke Omega software to maintain its accounting records. There is one operational current bank account currently maintained at Barclays Bank Plc. At present, two additional Barclays Bank accounts continue to be in place being a Business Premium account and a Base Rate Reward account. No periodic term deposits are currently held.

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. We have consequently: -

- Checked and agreed the opening trial balance detail in the financial software for 2020-21 with the closing detail contained in the 2019-20 Statement of Accounts and AGAR;
- Ensured that the financial ledgers remain “in balance” at the present date;
- Ensured that the cost centre and nominal ledger income and expenditure coding structure remains appropriate for purpose;
- Checked and agreed detail in the Barclays Bank Current account cashbook, examining a sample months’ transactions for July and August 2020 and for March 2021 in full to relevant bank statements;
- Checked and agreed detail in the Barclays Bank Business Premium account cashbook, examining the transactions for the six months to 30th September 2020 and for the month of March 2021 in full to relevant bank statements;
- Checked and agreed detail in the Barclays Bank Base Rate Reward account cashbook, examining the transactions for the six months to 30th September 2020 and for the month of March 2021 in full to relevant bank statements; and
- Further noted that bank reconciliations are approved and signed off monthly by an appropriate member of Council.

We note that that not all cash book receipts and payment schedules and bank reconciliations were available in the files presented to us; these were subsequently provided by the RFO electronically.

Conclusions

We are pleased to report that no issues have been identified in this area of our review process warranting formal comment or recommendation. We have ensured the accurate disclosure of the 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:

- Completed our review of the Council's minutes, examining those for the Full Council and its Standing Committee meetings (with the exception of Planning) for the year to 31st March 2021, with a view to identifying whether or not any issues exist that may have an adverse effect on the Council's future financial stability, both in the short and longer term: we are pleased to report that no such issues appear to exist at present;
- Noted from this examination of the minutes that Standing Orders were amended and approved at the Council meeting on 28th September 2020 (minute FC 2029 b) refers);
- Further noted from this examination of the minutes that Financial Regulations were reviewed and adopted at the Council meeting held on 27th July 2020 (minute FC 20/8 f. i. refers) and subsequently reviewed and adopted at the Council meeting held on 22nd March 2021 (minute FC 20/88 a. ii) refers;
- Also noted that Council agreed their Investment Policy at their meeting on 25th January 2021 (minute FC 20/67 b) refers); and
- Further noted that Council agreed the precept for 2021/22 at their meeting on 25th January 2021 in the amount of £293,492 (minute FC 20/62 refers)

We have previously noted that quotations have been obtained for the installation of the water heater in the staff kitchen.

Finally, we have previously noted that the Council has correctly provided the proper opportunity for the exercise of public rights in respect of the 2019/2020 financial year in accordance with the requirements of the Accounts and Audit regulations with the appropriate information being available on the Council website.

Conclusions

We are pleased to report that no issues have been identified 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 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;
- That members are provided with, and approve, the regular schedules of payments made;
- 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 completed testing in this area, reviewing a sample of all payments individually in excess of £1,000, together with a more random sample of approximately every 20th cashbook transaction,

irrespective of value, for the year to 31st March 2021. Our sample comprised 59 payments in all totalling £81,602 and representing 64.8% of all non-salary expenditure to that date with no issues arising. We note that the majority of payments are now effected by online banking.

We have confirmed that VAT has been appropriately identified and coded to the control account for periodic recovery and that the claims for the six months to 30th September 2020 and the six months to 31st March 2021 have been submitted online to HMRC. We understand the Responsible Financial Officer will continue to submit claims on a six monthly basis.

We note that the Council holds three Debit Cards, payments on these cards being approved by Council as part of the invoice approval process. The Council also holds three Barclaycards and transactions on this card are also approved as part of the invoice approval process.

Conclusions

We are pleased to report that no issues have been identified 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 in order to minimise the opportunity for their coming to fruition. We have: -

- Noted from our examination of the current year's minutes that Council has undertaken a Risk Assessment Review for 2020-21 at their meeting on 27th July 2020 (minute FC 20/8 f. refers); we note that this was further reviewed and agreed at the council meeting on 22nd March 2021 (minute FC 20/88 a) ii refers)
- Examined the arrangements in place for the regular inspection of playgrounds and playing fields noting that the Council continue to use the system of playground inspection previously introduced by the Responsible Financial Officer. We understand such inspections continue to be done on a regular basis with a formal record of the outcome being maintained indefinitely, that the inspection reports are dated and signed by the person conducting the inspection and that appropriate action is taken in respect of any issues arising from these reports; and
- Examined the Council's current year's insurance policy schedule which is effective until 31st May 2021 as the first year of a three year long term agreement. This insurance is provided by Aviva through BHIB Insurance Brokers. We note that Public Liability and Employer's Liability are covered to £10, million, and Fidelity Guarantee stands at £500,000. We note that the Council vehicle is also insured by Aviva.

Conclusions.

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

Budgetary Control & Reserves

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and level of precept to be drawn down from the District Council: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure. To meet this objective, we have:

- Noted from our review of the minutes that members continue to be provided with regular management accounting information, based on reports generated from the RBS accounting system;
- Noted that a detailed budget exercise was undertaken and approved by the R & P Committees at their meeting on 30th November 2020 (minute RP 20/21/66.3 refers), the budget subsequently being ratified by Council;
- Considered the appropriateness of the level of general reserves to meet the Council's ongoing revenue spending requirements noting that reserves at the year-end total £231,382 of which earmarked reserves total £108,274. The balance of general reserves at £123,108 equates to just above six months average revenue expenditure which is just over the generally accepted guideline of between three and six months' expenditure; and
- Reviewed the year-end budget outturn for any significant unexplained variances with none in evidence.

Conclusions

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

Review of Income

The Council receives very limited income in addition to the precept, primarily from hall lettings, minimal bank interest, occasional grants and/or donations and periodic VAT recoveries.

Our objective in this area of our review process is to ensure that robust procedures are in place to ensure that all income due to the Council is identified and invoiced (where applicable) appropriately with recovery effected within a reasonable time span.

We understand that, due to Covid-19, there have not been any bookings in respect of the Hall in the period under review. We are pleased to note that the Council have purchased the Rialtos Hall booking system and that the Hall Manager has been trained in the use of this system.

We are also pleased to note that fees were reviewed by the R&P Committee as part of the budget process at their meeting on 18th November 2019 (minute 19/20/74.11 refers)

We understand that negotiations regarding a lease on an allotment site are still in progress and we will review this matter again at future visits.

We note that the Parish Council has received a Covid-19 related grant from their District Council. It is our understanding that precepted authorities are not entitled to such a grant and we are aware of grants such as this being queried with other District Councils, some District Councils having requested repayment of the grant.

Conclusions.

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

Petty Cash Account

The Council does not operate a petty cash account, any “out-of-pocket” expenses incurred by officers or members are reimbursed through the normal suppliers’ payments procedures.

Conclusions

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

Review of 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 HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme in relation to the banding rates of deduction. To meet that objective, we have: - We have: -

- Reviewed the Council’s payroll preparation procedures;
- Noted that the Council maintains a Staff Establishment List detailing SCP scale points;
- Noted that the payroll continues to be outsourced to J & M Payroll with input data being supplied by the Clerk;
- Confirmed, by reference to the July 2020 payslips, that each member of staff has received the correct gross salary in line with the Council’s approved rates;
- Checked to ensure that Income Tax and NIC deductions have been made applying the appropriate PAYE codes and NIC Tables;
- Checked to ensure that the appropriate percentage deduction rate has been applied in respect of pension contributions;
- Verified that the appropriate net pay has been paid to each employee for the month under review in accord with the summary payments listing and relevant cashbook and bank statement entries; and
- Noted that J & M Payroll continue to arrange the payments to staff, HMR&C and the Essex Pension Fund having previously been placed in funds by the Council;

We are pleased to note that overtime sheets for the Clerk, the Responsible Financial Officer and members of staff are signed off as appropriate.

Conclusions

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

Review of Fixed Assets

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We note that the Council maintains an Asset Register.

We note that there have not been any amendments to the Asset Register in the period under review.

We have previously mentioned in this report that the Council is negotiating a lease in respect of an allotment site. We also understand that the Council is still negotiating with Rochford District Council regarding the transfer to them of the public toilets in Hockley.

We suggest that consideration be given to keeping a photographic record of Assets. We have found, with other Councils we audit, that such a record can be useful in the event of an insurance claim.

Conclusions.

We are pleased to report that no issues have been identified in this area of our review process warranting formal comment or recommendation. We have ensured that the correct figure of Fixed Assets is reflected in the AGAR.

Investments and Loans

Our objectives here are to ensure that the Council is investing “surplus funds”, be they held temporarily or on a longer term basis, in appropriate banking and investment institutions, that an appropriate investment policy is in place, that the Council is obtaining the best rate of return on any such investments made, that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with the relevant loan agreements.

We note that has opened a Business Saver Account with the Nationwide Building Society.

We are pleased to note that, as preciously mentioned in this report Council agreed their Investment Policy at their meeting on 25th January 2021 (minute FC 20/67 b) refers)..

Conclusions

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

Statement of Account and AGAR

The 1996 Accounts and Audit Regulations required all Councils to prepare annually a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council’s financial affairs.

We have reviewed the Statement of Accounts and AGAR detail prepared, as generated from the accounting software by RBS, with no obvious errors or anomalies in the detailed content

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.