

Babraham Parish Council

Internal Audit Report 2021-22

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*For and on behalf of
Auditing Solutions Ltd*

Background

Statute requires all town and parish councils to arrange for an independent internal audit 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 during our review for 2021-22 and we wish to thank the Clerk for her assistance in providing all necessary documentation to facilitate the progress of our review for the year. The year's review has again been undertaken remotely.

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 are 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.

Overall Conclusion

We have concluded that, based on the programme of work undertaken, the Council has maintained adequate and effective internal control arrangements during the year. Consequently, we have completed and signed the 'Internal Audit Certificate' as part of the year's AGAR process having concluded that, in all significant respects, the internal control objectives set out in that certificate were achieved throughout the financial year to a standard adequate to meet the needs of the Council.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

Our objective in this area has been to ensure that accounting records are being maintained accurately and on a timely basis, and that no anomalous entries appear in the cashbook.

The accounting records have previously been maintained using an Excel spreadsheet, although following Council's approval, detail has now been input to the newly acquired Scribe accounting software. The Council operates both a current and a deposit bank account with Unity Bank and a savings account with The Cambridge Building Society.

To ensure the appropriateness and accuracy of the recording of transactions, we have:

- Confirmed the accurate carry-forward of prior year closing balances to 2021-22.
- Ensured that an appropriate coding structure is in place within the Scribe software.
- Checked and agreed the cashbook detail for the full year to supporting bank statements on both accounts.
- Verified the combined bank reconciliation detail as of 31st March 2022 within Scribe; and
- Ensured the accurate disclosure of the combined balances in the year-end Accounts.

Conclusion

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 a robust regulatory framework in place; that Council meetings are conducted in accordance with the adopted Standing Orders (SOs) 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.

We have reviewed minutes of Council meetings held during 2021-22, the principal aim being to consider whether any issues exist that may have an adverse effect on the Council's financial stability in the short, medium or longer term, also that, as far as we may reasonably be expected to ascertain, no indication exists that the Council may either be considering or have taken decisions that might result in ultra vires expenditure being incurred.

We are pleased to note that both the SOs and Financial Regulations (FRs) have been subject to further review both being re-adopted at the meeting held on 10th June 2021 (minute ref 2106/17).

We have reviewed the Council's website and are pleased to acknowledge compliance with the disclosure requirements of the Transparency Code. We also note that the external auditor's report, issued since our last visit, had no matters regarding the Council's accounts and governance.

As the Council's total payments were more than £25,000 in 2021-22 the Council will now be subject to the external audit process for the year needing to complete the Part 3 AGAR.

We thank the Chairman for completing our "Corporate Governance Questionnaire", which affords us further assurance as to the soundness of the Council's overall governance arrangements.

Conclusions

We are pleased to report that no matters have arisen from this review area requiring formal comment or recommendation.

Review of Payments

We have reviewed the procedures in place for receiving invoices, checking their authenticity, accurate detail recording, processing by the Clerk and formal approval for payment by Members. Our objective is to ensure that:

- Payments have been made in accordance with the Council's approved procedures and budget for the financial year.
- Payments are supported by a trade invoice or acknowledgement of receipt.
- VAT has been calculated correctly and is recovered at appropriate intervals.
- The Council has formally approved each payment.
- Payments have been correctly analysed in the cashbook and year-end Statement of Accounts prepared for members; and

We have examined the procedures regarding payment of invoices with reference to the above criteria noting the process applied for their review and sign-off by members which we consider sound.

Conclusions

We are pleased to report that no matters have arisen from this review area requiring formal comment or recommendation.

Assessment and Management of Risk

Our objective is to confirm that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and operational / 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 are pleased to note that:

- An appropriate Risk Register is in place, which was reviewed and re-adopted at the meeting held on 10th June 2021 (minute ref 21/06/17).
- The Council's insurance cover is provided by Hiscox: we have examined the current policy schedule and consider that it meets the present needs of the Council with both Public and Employer's Liability at £10 million and Fidelity Guarantee cover of £500,000.

Conclusions

We are pleased to report that no matters have arisen from this review area requiring formal comment or recommendation.

Budgetary Control and Reserves

We aim here 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 its ongoing spending plans.

We are pleased to note that the Council has, after due deliberation, approved the budget and precept for 2021-22 at its meeting on 10th February 2022 adopting the latter at £16,144.45 the same as the previous year (minute ref 2202/14) We are also pleased to note that the 2021-22 budgetary performance to that date was considered when determining the 2022-23 precept requirement.

We note that members continue to receive regular financial updates at each Council meeting, including detail of current bank balances, any income received and payments either made or due for approval. The Council also receive budget performance reports compiled using the Scribe software.

At the year end, total reserves stood at (£164,359), arising primarily from the S.106 funding received during 2020-21. We noted in last year's report that the Council earmarked for various projects including the funds received from developers under S106 agreements' available for use on other community related projects.

Conclusions

We are pleased to report that no matters have arisen from this review area requiring formal comment or recommendation.

Review of Income

The Council receives income by way of the annual precept, a small amount of bank interest once annually and recoverable VAT. We have checked and agreed in full the cashbook

transactions to bank statements and other underlying supporting documentation for the financial year.

Conclusion

No matters arise in this review area.

Petty Cash

The Council no longer operates a petty cash account, with any out-of-pocket expenses incurred by the clerk reimbursed routinely throughout the year.

Review of Staff Salaries

In examining the Council's payroll function, our objective is to confirm that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HMRC legislation as regards the deduction and payment over of income tax and any National Insurance Contributions (NIC) due.

Processing of the Council's payroll is contracted out to Yorkshire Tax Bureau (YTB), who are responsible for preparing and submitting the necessary returns to HMRC using the online RTI software and providing details to the Council regarding the payments to be made to the Clerk.

Conclusions

We are pleased to record that no matters have arisen from this area of our review requiring formal comment or recommendation.

Fixed 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 Council has prepared a detailed asset register using the Scribe software.

Conclusions

We are pleased to report that there are no significant issues arising in this area of our review process warranting formal comment or recommendation. We have ensured the appropriate recording of these assets in the AGAR.

Investments and Loans

The Council has no loans repayable either to or by it, nor are any funds held in long-term investments. However, with funds held more than £100,000 the Council is now obliged to

comply with the Statutory Guidance on Local Government Investments as set out in Section 15(1)(a) of the Local Government Act 2003, as amended with effect from 1st April 2018 Act. This amendment requires that all councils with “investments” in excess of £100,000 develop an appropriate Investment Strategy: para 4 of the 2018 updated guidance stipulates the meaning of “investments” to include all financial assets. We note that a suitable document has been prepared and was subject to approval at the Council meeting held on 8th April 2021.

Conclusions

No issues arise in this area currently warranting formal comment or recommendation.

Statement of Accounts and AGAR

The Accounts and Audit Regulations 1996 (as amended periodically) required councils to prepare a formal Statement of Accounts and supplementary Supporting Notes. With effect from March 2011, the AGAR now forms the only statutory Accounts of the Council that are subject to external audit review and certification.

We have checked and agreed entries in the Statement of Accounts generated to the accounting software reports 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.