

## **Hinxton Parish Council**

*Internal Audit Report 2019-20*

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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 in relation to the 2019-20 financial year.

## **Internal Audit Approach**

In undertaking our review for the year, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts / AGAR. We have again employed a combination of selective sampling techniques (where appropriate) and 100% detailed checks in the required key areas to gain sufficient assurance that the Council's financial and regulatory systems and controls are appropriate and fit for the purposes intended.

Our programme is also designed to facilitate our completion of the 'Internal Audit Report' in the Council's AGAR process which requires independent assurance over several internal control objectives.

## **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 Report' as part of the year's AGAR process having concluded that, in all significant respects, the internal control objectives set out in that report were achieved throughout the financial year to a standard adequate to meet the needs of the Council.

We have completed and signed the 'Annual Internal Audit Report' in the 2019-20 AGAR assigning positive assurances in each relevant area.

# Detailed Report

## Maintenance of Accounting Records & Bank Reconciliations

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

The accounting records are maintained using an Excel spreadsheet, which we consider appropriate for a council of Hinxton's size. The Council operates two main bank accounts with Lloyds TSB; a Treasurers Account for day to day transactions and a Business Bank Instant Access Saver Account. A further Treasurers Account is maintained, which holds a small reserve for Bridge Repairs.

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

- Verified the accurate carry-forward of prior year closing balances to 2019-20;
- Ensured that appropriate analysis of receipts and payments exists in the spreadsheet cashbook;
- Checked and agreed the cashbook detail in full to supporting bank statements; and
- Verified the bank reconciliation detail on each account as at 31<sup>st</sup> March 2020, also ensuring the accurate disclosure of the combined balance in the year-end Accounts.

### *Conclusions*

***We are pleased to report that no matters have arisen in this area of our review process warranting formal comment or recommendation; we have ensured the accuracy of the year-end balances reported in the detailed Statement of Accounts and AGAR.***

## Review of Corporate Governance

Our objective is to confirm that the Council has a robust regulatory framework in place; that Council meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are reasonably able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation.

Consequently, we have reviewed the minutes of meetings held during 2019-20, the principal aim being to consider whether or not any issues exist that may have an adverse effect on the Council's financial stability in the short, medium or longer term, also that there is no indication that the Council may either be considering or have taken decisions that might result in ultra vires expenditure being incurred.

It was noted that Standing Orders and Financial Regulations were reviewed and re-adopted at the March 2020 meeting.

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

### *Conclusions*

*We are pleased to record that no issues arise in this area this year warranting formal comment or recommendation.*

## **Review of Payments**

We 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 aim here was 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.

### *Conclusions*

*We are pleased to record that no issues arise in this area this year warranting 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 have noted that:

- An appropriate Risk Register is in place, which we are pleased to acknowledge was reviewed and re-adopted by the Council at the March 2020 meeting.
- Annual RoSPA reviews of the playground equipment are being undertaken with appropriate remedial action approved by the Council; and
- The Council has switched the insurance cover from Hiscox Limited to Ecclesiastical from September 2019, through Came & Co. In our view, the current level of cover in place, with Public and Employers Liability both in place at £10 million and Fidelity Guarantee cover of £500,000, is appropriate to the size of the Council.

### *Conclusion*

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

## **Budgetary Control and Reserves**

Our objective is to confirm that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and the level of precept to be drawn down

from the District Council: also, that an effective reporting and monitoring process is in place. We also consider whether 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 that might arise.

We note that, following due consideration, the Council formally approved and adopted a precept for 2020-21 of £15,200 at the full Council meeting held on 11th November 2019 (minute ref 5).

We are pleased to note that members routinely receive an update on bank balances, income received and details of payments made in the month or due to be approved.

At the year-end, the total balances and reserves stood at the increased value of £36,077. Of that total, £2,000 is earmarked for bridge repairs leaving a residual General Reserve balance of £34,077. The residual General Reserve balance equates to over twice the annual precept and revenue spending to the level of recent years and is potentially high. Although it was noted that these reserves will be potentially used for repairs to the village hall and a flint wall.

### ***Conclusions and recommendation***

*R1. The Council should ensure that the level of precept requested annually reflects the intended spending of the Council for the financial year with surplus funds set aside in identified earmarked reserves.*

## **Review of Income**

In 2019-20, the only income received by the Council, other than the annual precept, was allotment income, a small amount of bank interest and recoverable VAT. We have checked and agreed in full the cashbook transactions to bank statements for the financial year.

### ***Conclusion***

***We are pleased to record that no issues have been identified in this area requiring formal comment or recommendation.***

## **Petty Cash Account/Clerk's Expenses**

The Council does not operate a petty cash account. Any out-of-pocket expenses incurred by the Clerk in connection with her work for the Council being claimed through expenses.

## **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 HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax (PAYE) and National Insurance Contributions (NIC).

The Clerk is the only employee, payroll service to the Council is provided by Yorkshire Tax Bureau, who make the necessary returns to HMRC using the RTI software and provide details to the Council regarding the payments to be made to the Clerk and HMRC. It was also noted that at the meeting held on 9th March 2020 it was agreed that there should be an increase to the Clerk's hours due to an increase in workload.

### ***Conclusion***

***We are pleased to record that no issues have been identified in this area requiring formal comment or recommendation.***

## **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 Clerk had prepared a detailed asset register there were no additions or disposals in 2019-20.

### ***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.

## **Statement of Accounts and AGAR**

The AGAR now forms the Council's statutory Accounts subject to external audit scrutiny and certification. We have reviewed and verified the accuracy of detail contained in the AGAR Section 2 by reference to the financial information set out in the spreadsheet cashbook.

### ***Conclusions***

***We are pleased to report that apart from the review of Reserves no issues have been identified in this area of our review process warranting formal comment or recommendation and, on the basis of our review work, we have completed the Annual Internal Audit Report of the year's AGAR assigning positive assurances in each relevant area***