

**Alison Ball**

**Clerk & RFO**

**Ewshot Parish Council**

23 April 2021

Dear Alison

**Ewshot Parish Council - Internal Audit 2020-21**

The internal audit of Ewshot Parish Council for the 2020-21 financial year is now complete. I am pleased to be able to report that I have signed off the attached internal audit report with no comments. The final audit was again carried out remotely due to pandemic restrictions.

As stated in the engagement letter, the scope of our work is limited to completing the audit testing and enquiries we deem necessary to complete Section 4 of the Annual Report for Local Councils in England. We do not provide assurance over or accept responsibility for areas of work not included in this scope, unless specifically agreed with the Council during the financial year.

In providing internal audit services we are not conducting a financial statement audit in accordance with standards and guidelines issued by the Audit Practices Board and our procedures are not designed to provide assurance over the reliability and quality of your financial statements and management information – that is the job of external audit.

We are required by the Annual Internal Audit Report included in the Annual Governance and Accountability Return (AGAR) to review controls in place at the Council against predefined control assertions. These control assertions are set out below, together with the results of my internal audit work for 2020-21.

The audit was carried out in two stages. The interim audit carried out remotely on 20 November 2020 concentrated on in year financial transactions and governance controls. The final audit was carried out remotely, due to Covid 19 restrictions. This work was carried out during the week of 26 April 2021 and concentrated on the statement of accounts and balance sheet.

**A - Appropriate books of account have been kept properly throughout the year**  
**Interim Audit**

I confirmed that the opening balances on the excel workbook at 1.4.20, as recorded on the opening balance sheet, could be agreed back to the unaudited annual return for 2019-20. The Council had not yet received the external audit certificate at the time of my audit. This is because the auditor's deadline had been extended to 30 November this year.

The Council had submitted a VAT return for the first 4 months of the financial year in August. This was agreed to a schedule of transactions derived from the accounting system. The Clerk was preparing the VAT return to the end of October at the time of my audit.

I confirmed that my audit report for 2019-20 was properly considered at the July meeting of the Council and an appropriate minute recorded. It has been published on the Council website.

### **Final Audit**

The accounting statements have been agreed back to balance sheet and income and expenditure reports produced from the excel workbook accounts package. All comparatives reported in the financial statements have been agreed back to the audited 2019-20 accounts as published on the Council website. Arithmetic within the draft accounts was checked and found to be correct,

I confirmed that the year-end VAT return has been completed. The Clerk confirmed that the claim was submitted 3 April 2021 for February and March.

I am satisfied that the Council has met this control objective

### **B - The Council's financial regulations have been met, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for** **Interim Audit**

Financial Regulations and Standing orders have not yet been updated this financial year. These should be checked against NALC updates before the end of the financial year and reviewed at a Council meeting. Financial regulations should be reviewed carefully to ensure rules around internet banking are accurately set out.

The Council approves expenditure via the annual budget process. Each month, the Council reviews the future expenditure to be made in the finance report circulated by the Clerk before each meeting of the Council. Payment approval is then minuted, supported by a detailed list of payments. Payments are now made using electronic banking. The Clerk sets up the payments on the Council's bank account. These are then approved electronically by the Chairman.

Whilst I accept that this process was set up in emergency circumstances, this process is not compliant with financial regulations, which require "Cheques or orders for payment drawn on the bank account in accordance with the schedule as presented to council or committee shall be signed by two members of council"

I therefore recommend that

- At least 3 more councillors are set up to authorise payments at bank using internet banking to to establish a panel from which 2 authorising signatories can be selected
- A second councillor should manually signs off all payments made to date using electronic banking, on individual invoices / payment requests, as these payments have not been approved in line with financial regulations.

I tested a small sample of expenditure transactions. I was able to confirm the following for all transactions sampled:

- Cashbook entry could be agreed back to an invoice from the supplier
- VAT accounting correct
- Approval for the payment was recorded in a minute of a council meeting.
- Payment set up at bank by the Clerk and authorised by the Chairman

### **Final Audit**

Non pay expenditure per box 6 to the accounts was £20,453, up from £16,535 in 2019-20.

I selected a sample of payments from the second half of the financial year, as set out below.

1-Mar	BT101	Arthur J Gallagher	Insurance Renewal	733.86
30-Nov	BT74	Wybone	3x Bins	1,011.53
18-Dec	BT76	Allan Lang Forestry	Christmas Trees	432.00

For these transactions I confirmed the following:

- Cashbook figure agreed to invoice
- Payment agreed at a meeting of the Council
- 2 Councillors approved payment electronically on the Council's bank account.

I note that the supporting document supplied to support the Wybone payment was a purchase order document. The Council should ensure a VAT invoice is obtained for this transaction.

I am satisfied that the Council has met this control objective.

### **C - The Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.**

The Council is insured by Ecclesiastical, on a standard local council policy arranged by Came and Co. I reviewed the insurance certificate and confirmed it is in date with an expiry date of April 2021. I have reviewed the policy and it appears that asset coverage is adequate. Money cover is sufficient at £250K.

I have confirmed that the Council backs up computer remotely, with backups taken to the OneDrive plus periodic USB backup. Back up has been tested by the Clerk.

I note that the risk assessment was considered at the September 2020 meeting of the Council, and a separate minute provided. I have reviewed the risk assessment and consider it covers risks associated with Council of this size, it is a standard Parish Council template. The risk assessment is published on the website.

I am satisfied that this control objective has been met.

**D - The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.**

**Interim Audit**

Budget setting for 2020-21 is under way. The draft budget will be considered at the December meeting of Full Council, with final approval of precept and budget to be recorded at the January meeting. The Clerk confirmed that the 20-21 budget has not been significantly affected by the pandemic, the Council has limited non- precept income. Reserves balances should continue to be considered as part of budget planning for next year, with consideration being given to council projects, and the establishment of earmarked reserves to fund future projects.

Budget reporting occurs on a quarterly basis. I checked the quarter 2 report, which clearly set out the budget position of the council – this had been reviewed by councillors and signed off accordingly. There is no evidence of overspends. Reserves at this point were £73K.

**Final Audit**

Council reserves at 31 March 2020 as recorded in box 7 to the accounts were £63,295 (2019-20 £54,631). Of this £38K is set aside to in earmarked reserves . Council usable reserves are therefore around £27K , which is 90% of precept. This is a little higher than I would recommend, but the Clerk has explained that the Council is a little behind on planned projects, partly due to the pandemic.

I recommend that the Council undertakes a review of reserves in the course of 21-22 financial year to ensure that the general reserve does not continue to build up.

Budget and precept were approved at the Full Council meeting in January 2021, and all precepting authority deadlines were met. Budget approval was recorded in minute 21/6 with precept approved at minute 21/7.

I am satisfied that the Council is meeting this control objective.

**E - Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.**

Precept per box 2 to the accounts was £29,626 (2019-20 £29,800). This has been agreed to information provided by the external auditors.

Non precept income per box 3 to the accounts was £5,938 (2019-20 £2,827)

I tested one transaction, a £3125 SID reimbursement. This was confirmed to a remittance advice note from Hampshire County Council.

I am satisfied that the Council is meeting this control objective.

**F - Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.**

No petty cash

**G- Salaries to employees and allowances to members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.**  
**Interim Audit**

Payroll is processed externally, using a payroll bureau, DM Payroll Services . Monthly payroll information is sent to the bureau, who calculate payroll and complete HMRC submissions. Payment is approved at a council meeting.

I tested August 2020 payroll from the cashbook. I agreed cashbook payment back to payslip. I was able to locate Clerk's gross pay from this document and confirmed this back to agreed rate of pay for the financial year. This had been approved by email by 2 Councillors.

**Final Audit**

Staff costs per box 4 to the accounts were £6,447 ( 2019-20 £7,471)

No further testing was carried out at year end.

The Council is meeting the requirements of this control objective.

**H - Asset and investments registers were complete and accurate and properly maintained.**

Fixed assets per box 9 to the accounts were £113,932 ( 2019-20 £107,340)

I have been able to reconcile the balance in the accounts back to the fixed asset register. The Clerk amended the accounts to reflect a minor error identified in the asset register. The change in balance year on year could be agreed to a schedule of additions and disposals for the year.

**I – Periodic and year-end bank account reconciliations were properly carried out.**

**Interim Audit**

I was able to confirm that the bank account is reconciled to the cashbook each quarter , via the cashbook spreadsheet. I checked that bank reconciliations are subject to councillor review each quarter and that this review is evidenced. I was also able to confirm, by reference to minutes of council meetings, that the bank reconciliation is discussed regularly at Council meetings.

I re-performed the bank reconciliation for September 2020. I tested the following

- Confirmed balances back to bank statements
- Checked arithmetic
- Confirmed signature of councillor on bank reconciliation
- Confirmed the bank reconciliation had been noted at a Council meeting.
- Reviewed unrepresented cheques

**Final Audit**

Cash per box 8 to the accounts was £63,295 ( 2019-20 £54,631)

I agreed the cash balance per the accounts to the year-end bank reconciliation. I was able to agree balances in the bank reconciliation back to bank statements for the Council’s bank accounts and to the cashbook at 31 March 2020. The bank reconciliation had understandably not yet been subject to councillor review.

I am satisfied that this control objective has been met.

**J - Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, were supported by an adequate audit trail from underlying records**

The Council uses an excel spreadsheet template to record transactions and prepare management and financial accounts. This is appropriate for a council of this size, and my testing confirmed that documents to support transactions could be readily located.

The accounts have been completed on the receipts and payments basis, appropriate for this smaller parish council. An explanation of year-on-year variances has also been prepared, with detailed explanations for variances provided.

**M – Inspection Periods**

**Interim Audit**

Inspection periods for 2019-20 accounts were set as follows

Inspection - Key date	2019-20 Actual
Accounts approved at Full Council	13 July 2020 Full Council
Date Inspection Notice Issued and how published	1 September noticeboards and website
Inspection period begins	1 September
Inspection period ends	12 October
Correct length	Yes

I can confirm that regulations were followed in this respect and that the Council can therefore sign off that it has met control objective 4 on the annual governance statement – inspection rights. However, there was a gap of 6 weeks between the accounts being approved and the inspection period commencing. Ideally inspection should commence promptly after accounts approval.

**N – Compliance with Publishing Requirements 19-20 Accounts**

The Council has received the 19-20 external audit report. A clear opinion was reported, and a conclusion of audit notice was published on the website on 30.11.20, on the deadline day of 30 November. The external auditors did not provide the audit certificate until 29<sup>th</sup> November. All relevant elements of the AGAR, including the external audit certificate, have been published on the Council website. The external audit report was reviewed at the December 2020 Full Council and an appropriate minute recorded.

**0 - Trust funds (including charitable) The council met its responsibilities as a trustee.**

No trusts

I would like to thank you for your assistance with the audit. I attach the internal audit report from the AGAR and my invoice, for your consideration. In the meantime, do not hesitate to contact me if you have any questions at all.

Yours sincerely

A handwritten signature in black ink, appearing to read "M. Platten".

Mike Platten CPFA

**Points Forward – Action Plan - Interim Audit**

Matter Arising	Recommendation	Council Response
Financial Regulations and Standing orders have not yet been updated this financial year.	These should be checked against NALC updates before the end of the financial year and reviewed at a Council meeting.	The Financial Regs and Standing Orders were reviewed in January
Council reserves	Reserves balances should continue to be considered as part of budget planning for next year, with consideration being given to council projects, and the establishment of earmarked reserves to fund future projects.	Reserves – these were circulated and considered during the budget consideration
There was a gap of 6 weeks between the accounts being approved and the inspection period commencing.	Ideally inspection should commence promptly after accounts approval.	Inspection period is set to start asap this year.
Whilst I accept that the internet banking payment process was set up in emergency circumstances , the process is not compliant with financial regulations.	<p>I recommend that</p> <ul style="list-style-type: none"> <li>- At least 3 more councillors are set up to authorise payments at bank using internet banking, to establish a panel from which 2 authorising signatories can be selected</li> <li>- A second councillor manually signs off all payments made to date using electronic banking, on individual invoices / payment requests, as these payments have not been approved in line with financial regulations.</li> </ul>	2 <sup>nd</sup> Councillor has been set up, third is in process of being set up. Further review due after May elections



**Points Forward – Action Plan - Final Audit**

Matter Arising	Recommendation	Council Response
I note that the supporting document supplied to support the Wybone payment was a purchase order document.	The Council should ensure a VAT invoice is obtained for this transaction.	
Council usable reserves are therefore around £27K , which is 90% of precept.	I recommend that the Council undertakes a review of reserves in the course of 21-22 financial year to ensure that the general reserve does not continue to build up.	