

BUBBENHALL PARISH COUNCIL

INTERNAL AUDIT REPORT FINANCIAL YEAR 2020/21

Background

Roberts and Co Accountancy Services Limited has been appointed by Louise Baudet (Acting Clerk) of Bubbenhall Parish Council to provide an independent internal audit report for the financial year ended 31 March 2021.

Our testing was based on the information provided and discussions with the Acting Clerk along with a review of the supporting records, together with some detailed sample testing of transactions undertaken during the financial year 2020/21.

Observations

Louise Baudet is acting in a temporary capacity due to the official Clerk becoming ill in August 2021. It is recognised that due to this sudden illness there may be gaps within the records provided. Where information and / or controls are lacking these are presented within this report.

Bubbenhall Parish Council has annual income of less than £25,000 and as such is exempt from routine external audit. As a small authority, it will be subject to transparency requirements as detailed in the Transparency Code for Smaller Authorities.

Information to be Published

Under the Transparency Code the following information should be published by the Council

- a. All items of expenditure above £100
- b. End of year accounts
- c. Annual governance statement
- d. Internal audit report
- e. List of councilor or member responsibilities
- f. The details of public land and building assets
- g. Minutes, agendas and meeting papers of formal meetings.

Upon a review of information available via the Council's website, it was found the above were all available to view with the exception of the annual governance statement and internal audit report. It is recommended this is rectified as soon as possible.

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Internal controls

- Minutes of meetings

Parish Meeting notes provide information of items discussed at each meeting. They are not numbered but do provide the date of the last meeting and the date of the next meeting. Notes were made when meetings were held virtually due to Covid. Each set of minutes provides details of the councilors present and who was in attendance. Pages within minutes book are not numbered and so insertion or removal of pages is possible. Pages are not bound and so pages can be replaced. All pages are signed by the Chair.

Minutes include a list of the accounts for payment. The list details the suppliers whose payments have been agreed and the amounts due for payment. During the Covid 19 pandemic delegated powers were approved by the Council for the Clerk to make certain decisions when parish meetings were unable to take place. These measures included the payment of specific items detailed in the Parish Council's budget, to approve spend up to £1,000 on urgent work, to respond to planning applications, to act on Government advice in relation to holding meetings.

Minutes all contain reference to the payments to be approved by the Council. Costs paid should be supported by invoices.

Minutes are uploaded to the Council's website where they are readily accessible.

Financial Records

A statement of Internal Financial Controls is available on the Parish Council's website. This document provides details of systems and procedures relating to the financial controls of the Council. This document is not dated and so the date of implementation is not available. However, items recorded in the statement which are not evidenced in the records are as follows

- Cashbook / Bank reconciliations
 - Monthly bank reconciliations
 - Review and approval of cashbook, bank reconciliation, payments and receipts by a Parish Council member biannually
 - Bank reconciliation is reported to the Parish Council and minuted
 - Reported movements on the Parish Council's cash balances are reported at each council meeting
- Payment controls
 - Supply invoices are not signed to indicate supply has been received
 - Purchase orders / quotes not attached to invoices

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- No evidence to show which Council members authorized payments
 - Payments are not given voucher numbers
 - Minute numbers recording authorization of payment not recorded
- Financial Reporting
 - Budgets are prepared annually as opposed to quarterly.
- Payroll
 - No Payroll records provided
- Asset Control
 - Fixed asset register dated 2017/18
 - No evidence that assets checked bi annually

The Statement on Internal Financial Controls is comprehensive and if followed would provide strong internal controls. More care is needed to ensure these systems and procedures are adhered to and are documented fully.

Records Reviewed

All financial records are maintained on excel and details of payments made are available via the Parish Council's website.

Summaries are maintained for monies paid out. Summaries of payments include, the date, who was paid, the details of the payment and the amount. All spreadsheets are checked to ensure numerical accuracy. No numerical errors identified.

A summary has been provided documenting monies received. This document confirms the total precept received and donations received, however, does not include dates nor a breakdown of the totals.

No bank reconciliations were provided within the documents for the internal audit, and there is no evidence within the minutes that reconciliations are provided to the Council and reviewed. It is recommended in future, bank balances and movements in the bank are reported at least quarterly.

Petty Cash

There is no petty cash maintained by the Council.

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INTERNAL AUDIT – BANK AND CASH / INCOME AND EXPENSES

Objective

To ensure that the systems in place for the accurate recording of all income and expenditure is sufficient and free from material error or misstatement.

To ensure that all expenditure has been authorized by the Council and minuted accordingly and that all income can be verified to the source.

Work Done

Expense summaries have been checked for arithmetical accuracy, along with payee details confirmed to supply invoices and documented in Parish Council minutes.

Spreadsheets are arithmetically correct.

A sample of costs verified against

- Meeting minutes
- Bank payment
- Authorized for payment
- Paid in accordance with the instructions

A sample of receipts verified against

- Evidence
- Matched to bank statements

Expenses testing

Of the sample tested, not all could be vouched back to 3rd party evidence and documentation. Minutes do refer to payment details circulated by the Clerk to the Councilors, however a copy of the payments circulated is not included within the minutes and as such cannot be checked for accuracy or verified.

Clerk salary increase is documented within the payment's summary; however, this cannot be verified to Parish Council Minutes, nor is it reflected in the proposed budget for 2021/22.

Upon review of the bank statements and meeting minutes, a payment of £308.40 is agreed to be paid to Scribe Accounts. This payment is made from the bank account on 18 June 2020. It is not included on the payments summary for payments made 24 March 2020 to 16 June 2020 or 17 June 2020 to 13 July 2020.

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INTERNAL AUDIT – BANK AND CASH / INCOME AND EXPENSES

Receipts testing

There is insufficient recording of receipts.

No documentary evidence has been provided to verify income received.

Only the bank statements provide details of funds received. There appears to be no record of what the funds are in relation to, although donations are mentioned within the Parish Council minutes.

Recommendations

Quotes received, and payments awaiting authorization should be documented within the Parish Council Minutes. These should be reviewed and approved by the Parish Council. Bank balances should be provided at least quarterly along with the transactions which have been made based on the previously approved payments. The invoices should record the minute reference where the payment was authorized, and the date payment was made. The invoice should be initialed by the member authorizing payment. All receipts should be documented and presented to the Parish Council. All receipts should be supported by documentation from third parties.

All receipts should be recorded separately. Full records relating to the date received, where the funds came from, what they are in relation to and whether they are in line with the budget should be maintained.

Bookkeeping records should be checked regularly with any discrepancies identified.

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INTERNAL AUDIT – PAYROLL

Objective

To ensure the amounts paid as salary are arithmetically correct and have been subject to PAYE/NIC deductions which have been calculated in accordance with PAYE Regulations. To ensure that all deductions have been paid over to HMRC within time constraints.

To ensure that pension deductions have been calculated at the correct rate and paid over to the required body in accordance with Pension Regulations.

Work Done

No payroll records have been provided. As such no audit tests could be undertaken in this area.

Conclusion

Insufficient audit evidence maintained.

No evidence that statutory obligations have been met with regards to submission of payroll data to HMRC under Real Time Information. No evidence of any calculation of PAYE/NIC liabilities in respect of the salary payments made to the Clerk.

There is a risk there may be unpaid liabilities due to HMRC in respect of PAYE/NIC deductions not paid. Also, penalties may be issued for non-submission of payroll information under the RTI regulations.

Pensions

No record of any pension scheme in place.

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INTERNAL AUDIT – ASSETS

Objective

To ensure a complete and accurate register is kept detailing all the assets owned by the Council.

Work done

The register was reviewed to ensure all assets are listed with an adequate description to enable them to be identified. The register includes the date the assets was originally acquired and the cost value of the asset. It also provides the location where the asset can be found.

The asset register was checked for numerical accuracy.

The asset register was dated 2017/18 and does not appear to have been updated since. There is no evidence assets have been checked.

There are no investments held.

Conclusion

An updated fixed asset register is required along with a full review of all assets. This register should be shown to be reviewed at least twice per year.

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INTERNAL AUDIT – RISK ASSESSMENT

Objective

To ensure risks are identified and managed effectively.

Work done

The Parish has a well-documented Risk Assessment which is available via the Parish Council's website. The Risk Assessment covers financial and asset management risks associated with the council. The risks identified record the controls in place to mitigate the risks. The risks have not been graded as low, medium or high. This Risk Assessment has not been updated to take into account Covid 19 risks and controls.

Conclusion

Risks are all well documented with sufficient controls in place to manage them effectively. No concern.

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INTERNAL AUDIT – BUDGETARY CONTROLS

Objective

To ensure that a budget has been accurately prepared by the Council and adopted in the process of setting the precept.

Work Done

Minutes reviewed to ensure reference to budgets prepared.

Evidence sought within minutes to show benchmarking of budgets against actual income and expenditure.

Current income and expenditure discussed in relation to following years budget and preparation of year end profit and loss account.

Conclusion

It is clear from the council minutes a budget is prepared and reviewed. The RFO should provide the Parish Council with a statement of receipts and payments to date comparing actual costs with those budgeted. Any material variances should be explained. These statements should be prepared regularly, ideally on a quarterly basis. From the minutes the budget has not been regularly reviewed or monitored. Providing the latest overall budget, it can assist the Parish Council in particular where attention may be needed to support the decision being made. It is recommended that at least on a quarterly basis the budget is reviewed and updated where necessary. Bank balances and movements should be reported to the Parish Council at least every quarter.