

Upton Bishop Parish Council Accounts - Financial Year Ending 31 March 2020

Internal Audit Report for the Annual Return

Scope of Audit

The Council is required to undertake an internal audit to evaluate the effectiveness of its risk management, control and governance processes.

I confirm that I am independent of financial decision making, financial management, financial control and financial procedures of Upton Bishop Parish Council.

I have conducted an internal audit with the objective of reporting on the Council's performance against its financial control and risk management systems and to provide recommendations for improvements where appropriate.

In order to achieve the objectives of the audit, I have examined documents with a view to report on the areas of the internal control objectives identified in the Annual Governance and Accountability Return document 2019-2020.

Documents

In view of the restrictions imposed by the Government following the COVID19 outbreak in March 2020, I have not examined paper copies of documentation but I have examined documents emailed to me by Mr Richard Abolins as follows: -

- Accounts documents for 2019 to 2020 including Excel spreadsheets named Day Books, Schedules, Trial Balance and Report, VAT Reclaim; and Acrobat documents titled Bank Reconciliation, Explanation of Variances, reconciliation between boxes 7 and 8.
- Bank statements for the Current Account held at Lloyds Bank by Upton Bishop Parish Council for 01-03-2019 to 31-12-2019 and 01-01-2020 to 25-03-2020.
- Bank statement for the Deposit Account held at Lloyds Bank by Upton Bishop Parish Council for 9-08-2018 to 25-03-2020.
- Invoices for year 2019 to 2020 as scanned documents.
- Policies and Procedures including Standing Orders (Revision 1.2 dated March 2020 due for review May 2020), Financial Regulations (Revision 1.2 dated March 2020 due for review May 2020), Risk Management Scheme (dated March 2020 due for review May 2020).
- Fixed Asset Register dated 16 June 2019.

Documents available on the Upton Bishop Parish Council website as follows: -

- Minutes of Parish Council meetings.
- Financial Reports.
- Policies and Procedures including Standing Orders (adopted 4 June 2019), Financial Regulations (adopted 4 June 2019), Risk Management Policy (approved 3 September 2019), Risk Management Scheme (dated September 2019).
- Internal Audit Report 2018 to 2019.
- The Annual Internal Audit Report from the Annual Governance and Accountability Return document for the financial year 2018-2019.
- Notice of Public Rights and publication of Annual Governance & Accountability Return (Exempt Authority) Notice from Upton Bishop Parish Council dated 4 July 2019
- Certificate of Exemption AGAR 2018-2019.
- Accounting Statements 2018-2019.

Review of Recommendations from the Internal Audit for Financial Year 2018-2019

5.1 The Parish Council must approve a budget and a precept figure

A budget was not prepared and approved for 2019-2020 before 1 April 2019. At meeting 2 July 2019, the budget had been defined and financial reporting had become controlled. The first draft budget and precept for 2020-2021 was considered at the Council meeting held on 5 November 2019 and the final draft was approved and the precept set at the 4 February 2020 meeting. The approved budget for 2020/21 is sufficiently detailed. **The recommendation has been completed.**

5.2 There should be budget monitoring during the year

Income and Expenditure Accounts reports and Bank Reconciliation reports have been presented at monthly Council meetings from 1 October 2019 to 14 April 2020. The reports include comparison against budget and are sufficiently detailed. **The recommendation has been completed.**

5.3 Accounts should take account of VAT

VAT invoices are received and VAT recorded in spreadsheet VAT Reclaim 2019-20. Sample invoices were checked against the VAT record and were found to be satisfactory. **The recommendation has been completed.**

5.4 There should be analysis of expenditure in the cash book

Income and Expenditure Accounts reports identify income and expenditure amounts in accordance with identifiable categories and are in sufficient detail. **The recommendation has been completed.**

5.5 There should be regular bank reconciliations, which should be reported to the Parish Council

Bank Reconciliations reports have been presented at each Council meeting from 1 October 2019. Sample checks on the bank statements indicate that the reports are correct. **The recommendation has been completed.**

5.6 Financial Regulation and Standing Orders should be approved as soon as possible

The Council meeting held on 4 June adopted Financial Regulations and Standing Orders, both of which had been prepared by the Acting Clerk in line with the National Association of Local Councils model document. **The recommendation has been completed.**

5.7 With the employment of a new Clerk the Parish Council should register with the Inland Revenue

Invoices from Autela Payroll Services Ltd have been seen which cover payroll services from August 2019. Although the detail of the service provided has not been investigated, it has been concluded that Autela PSL have registered the employment of the new clerk with the HMRC and confirmed with HMRC that the previous clerk was self-employed. **The recommendation has been completed.**

5.8 The Parish Council should inform the Inland Revenue that their previous Clerk was self-employed

See findings for Recommendation 5.7. **The recommendation has been completed.**

5.9 Checks should be made to identify when the last VAT claim was made

The Day Books file shows that there was a receipt from HMRC for VAT on 10 July 2019. The file VAT Reclaim 2019-2020 identified the amount of VAT paid in 2019-2020. I have been told by the RFO that the VAT reclaim was made on 22 April 2020. **The recommendation has been completed.**

5.10 There should be an Asset register so that the figure in the Annual Return can be verified

The Fixed Asset Register dated 16 June 2019 has been examined. I have not found any evidence in meeting minutes to indicate that the Register has been submitted to and approved by the Council. Sample checks of documents indicate that it is not complete. There is an invoice for external hard drives for PC, an asset which is not on the register. The accounts show that payments have been made to the Public Works Loan Board which may refer to purchase of an asset and if so, it is not on the register. **The recommendation has NOT been completed.**

5.11 There should be a risk register and at least one review of risk during the year

Risk Management Policy approved 3 September 2019 and the Risk Management Scheme dated September 2019 were examined. The Risk Management Scheme dated March 2020 was examined. This document is due for review at the May 2020 meeting of the Council. **The recommendation has been completed.**

5.12 The outstanding Business Bank account Statements should be submitted

A scan of the bank statement for the Deposit Account (Business Bank Account) held at Lloyds Bank by Upton Bishop Parish Council showing transactions from 9-08-2018 to 25-03-2020 was examined. **The recommendation has been completed.**

5.13 Procedures should be put in place to ensure that the exemption requirements are met

I have examined the Financial Regulations (adopted 4 June 2019) and the Financial Regulations (Revision 1.2 dated March 2020 due for review May 2020). I have not found a procedure in either document concerning the preparation and submission of a Certificate of Exemption for external audit. **The recommendation has NOT been completed.**

I cannot prepare a suitable procedure but it should be noted that the Council must confirm it meets the qualifying criteria, pass a resolution that it wants to declare itself exempt from a limited assurance review and then prepare the Certificate of Exemption which can be sent to the external auditor. There is a deadline for submission of the certificate but this may have been extended for year 2019-2020 in view of the COVID19 crisis.

5.14 Procedures should be put in place to ensure that the correct figures are entered on the Exemption Certificate

See findings for recommendation 5.13. **The recommendation has NOT been completed.**

5.15 Procedures are put in place to ensure that the Exercise of Public Rights requirements are met

I have examined the Financial Regulations (adopted 4 June 2019) and the Financial Regulations (Revision 1.2 dated March 2020 due for review May 2020). Both documents include under Regulation 2.9 requirements to make arrangements for the exercise of electors' rights in relation to the accounts. **The recommendation has been completed.**

Findings

	Internal Control Objectives	Evidence	Findings
A	Appropriate accounting records have been kept throughout the year.	<ol style="list-style-type: none"> 1. The accounts documents and bank statements. 2. Upton Bishop Parish Council Financial Regulations. 3. Minutes of Upton Bishop Parish Council meetings. 4. Invoices. 5. Bank statements. 	<ol style="list-style-type: none"> 1. The accuracy of the receipts and payments was checked with reference to bank statements and invoices. I found no errors and conclude that the records are accurate. 2. Finance reports were presented to meetings of the Upton Bishop Parish Council from July onwards. I conclude that records have been kept up to date and reported. <p>I conclude that this Internal Control Objective has been achieved.</p>
B	Upton Bishop Parish Council complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	<ol style="list-style-type: none"> 1. The accounts documents and bank statements. 2. Upton Bishop Parish Council Financial Regulations. 3. Minutes of Upton Bishop Parish Council meetings. 4. Invoices. 5. Bank statements. 	<p>By examining samples of invoices, bank statements, accounts documents and meeting minutes, I found that: -</p> <ol style="list-style-type: none"> 1. the Financial Regulations of the Upton Bishop Parish Council were implemented. However, I was unable to verify that cheque counterfoils had been initialled (reg 6.5) since the COVID19 restrictions would not allow examination of physical paperwork. 2. Payments were supported by invoices. 3. Expenditure was approved at meetings of Upton Bishop Parish Council. 4. VAT has been accounted for. <p>I conclude that this Internal Control Objective has been achieved.</p>

	Internal Control Objectives	Evidence	Findings
C	Upton Bishop Parish Council assessed the significant risks to achieving its objectives and reviewed the adequacy of the arrangements to manage these.	<ol style="list-style-type: none"> 1. The Upton Bishop Parish Council Risk Management Policy and Risk Management Scheme. 2. Upton Bishop Parish Council Financial Regulations. 	<ol style="list-style-type: none"> 1. A Risk Management Policy has been adopted. 2. The Risk Management Scheme has been adopted and has been reviewed. <p>I conclude that this Internal Control Objective has been achieved.</p>
D	The precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	<ol style="list-style-type: none"> 1. The accounts documents and bank statements. 2. Upton Bishop Parish Council Financial Regulations. 3. Minutes of Upton Bishop Parish Council meetings. 4. Internal Audit Report 2018-2019. 	<ol style="list-style-type: none"> 1. Internal Audit Report 2018-2019 and meeting minutes (22 May 2019) indicate that a budget for year 2019/2020 had not been prepared. 2. I found that by meeting 2 July 2019 the budget had been defined and financial reporting had become controlled. 3. I found that the precept for year 2020/2021 was discussed at the Upton Bishop Parish Council meeting held on 5 November 2019 when the first draft budget was presented. The precept and budget for 2020-2021 was discussed at the December and January meetings and the final budget and precept approved at the 4 February 2020 meeting. 4. Progress against budget has been reported to Parish Council meetings from the 2 July 2019 meeting. 5. Finance reports have been presented to Parish Council meetings from the 2 July 2019 meeting. 6. Reserves were adequate for 2019-2020 and will be appropriate for 2020-2021. <p>I conclude that the precept for year 2019-2020 had not resulted from an adequate budgetary process. However, procedural improvements have been implemented during 2019-2020 which has improved control dramatically. The precept for 2020-2021 year has resulted from an adequate budgetary process. Therefore, I conclude that this Internal Control Objective has been achieved.</p>

	Internal Control Objectives	Evidence	Findings
E	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	<ol style="list-style-type: none"> 1. The accounts documents and bank statements. 2. Upton Bishop Parish Council Financial Regulations. 3. Minutes of Upton Bishop Parish Council meetings. 	<ol style="list-style-type: none"> 1. The income of the Upton Bishop Parish Council is limited to the precept from Herefordshire Council, interest from the Business Account and compensation from the bank. 2. One payment from HMRC with respect to VAT has been received in the year 2019-2020 but I have been told that a further VAT reclaim was made on 22 April 2020. <p>I conclude that this Internal Control Objective has been achieved.</p>
F	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	<ol style="list-style-type: none"> 1. The accounts documents and bank statements. 2. Upton Bishop Parish Council Financial Regulations. 3. Minutes of Upton Bishop Parish Council meetings. 	<ol style="list-style-type: none"> 1. The Financial regulations state that the Upton Bishop Parish Council will not maintain any form of cash float. 2. The accounts documents, bank statements do not indicate receipts or payments by cash. 3. The minutes for the Upton Bishop Parish Council do not record any cash payments. <p>I conclude that this Internal Control Objective has been achieved.</p>
G	Salaries to employees and allowances to members were paid in accordance with Upton Bishop Parish Council's approvals and PAYE and NI requirements were properly applied.	<ol style="list-style-type: none"> 1. The accounts documents and bank statements. 2. Upton Bishop Parish Council Financial Regulations. 3. Minutes of Upton Bishop Parish Council meetings. 	<ol style="list-style-type: none"> 1. The only salary is that payable to the Clerk from his appointment during the year 2019-2020. 2. The salary is paid by internet banking and the PAYE and NI requirements are dealt with through a payroll services company. 3. Allowances and expenses are paid by internet banking. 4. Payments are approved at Upton Bishop Parish Council meetings. <p>I conclude that this Internal Control Objective has been achieved.</p>

	Internal Control Objectives	Evidence	Findings
H	Asset and investment registers were complete and accurate and properly maintained.	<ol style="list-style-type: none"> 1. Fixed Assets Register dated 16 June 2019. 2. Minutes of Upton Bishop Parish Council meetings. 3. Upton Bishop Parish Council Financial Regulations 12.6. 	<ol style="list-style-type: none"> 1. The Fixed Asset Register has been updated during 2019-2020 2. I have not been able to confirm that the Fixed Asset Register has been approved at meetings of the Upton Bishop Parish Council. 3. The account documents show that there may be assets of the Upton Bishop Parish Council which are not included in the Fixed Assets Register. 4. The account documents show that Upton Bishop Parish Council has no investments other than those held in the Business / deposit bank account. <p>I conclude that this Internal Control Objective has been achieved but I have made a recommendation for improvement.</p>
I	Periodic and year end bank account reconciliations were properly carried out.	<ol style="list-style-type: none"> 1. The accounts documents and bank statements. 2. Upton Bishop Parish Council Financial Regulations. 3. Minutes of Upton Bishop Parish Council meetings. 	<ol style="list-style-type: none"> 1. Bank account reconciliations were not carried out until financial reporting improved at the Upton Bishop Parish Council meeting held on 2 July 2019. 2. Bank account reconciliations were prepared and presented to Upton Bishop Parish Council meetings in detail from the 1 October 2019 meeting. They were also published on the Upton Bishop Parish Council website. 3. The year end values show no discrepancies and bank account reconciliations have been carried out properly. <p>The inadequacy of bank account reconciliations for year 2018-2019 had been identified in the Internal Audit Report for 2018-2019. Procedural improvements have been implemented which has improved financial reporting dramatically. Therefore, I conclude that this Internal Control Objective has been achieved.</p>

	Internal Control Objectives	Evidence	Findings
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, supported by an adequate audit trail from underlying records and where appropriate, debtors and creditors were properly recorded.	<ol style="list-style-type: none"> 1. The accounts documents and bank statements. 2. Upton Bishop Parish Council Financial Regulations. 3. Minutes of Upton Bishop Parish Council meetings. 	<ol style="list-style-type: none"> 1. Accounting statements were not prepared or presented to Upton Bishop Parish Council meetings until financial reporting improved at the 2 July 2019 meeting. 2. Accounting statements were prepared as finance reports and presented to Upton Bishop Parish Council meetings in detail from the 1 October 2019 meeting. They were also published on the Upton Bishop Parish Council website. 3. Accounting statements were prepared on the correct accounting basis (income and expenditure) on the spreadsheets and reports. 4. The year-end values show no discrepancies and bank account reconciliations have been carried out properly. <p>The inadequacy of accounting statements / finance reports for year 2018-2019 had been identified in the Internal Audit Report for 2018-2019. Procedural improvements have been implemented which has improved financial reporting dramatically. Therefore, I conclude that this Internal Control Objective has been achieved.</p>
K	If the Authority certified itself as exempt from a limited assurance review in 2018/19, it met the exemption criteria and correctly declared itself exempt.	<ol style="list-style-type: none"> 1. Certificate of Exemption AGAR 2018/19. 2. Accounting Statements 2018/19. 	I conclude that this Internal Control Objective has been achieved.
L	During the summer of 2019 Upton Bishop Parish Council has correctly provided the proper opportunity for the exercise of public rights in accordance with the Accounts and Audit Regulations.	Notice of Public Rights and publication of Annual Governance & Accountability Return (Exempt Authority) Notice from Upton Bishop Parish Council dated 4 July 2019	I conclude that this Internal Control Objective has been achieved.

	Internal Control Objectives	Evidence	Findings
M	Trust funds (including charitable) – Upton Bishop Parish Council met its responsibilities as trustee.		Upton Bishop Parish Council has no responsibilities for Trust Funds. I conclude that this Internal Control Objective is not applicable.

Conclusion

After examining these documents, it is my opinion that the accounts are accurate, correctly balanced and show that the Upton Bishop Parish Council has implemented a satisfactory process for financial control.

I can therefore confirm that: -

- Appropriate accounting records have been kept throughout the financial year.
- The Council complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.
- The Council assessed the significant risks to achieving its objectives and reviewed the adequacy of the arrangements to manage these.
- The precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.
- Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.
- Salaries to employees and allowances to members were paid in accordance with the Council's approvals and PAYE and NI requirements were properly applied.
- Asset registers and investment registers were complete, accurate and properly maintained.
- Periodic and year end bank account reconciliations were properly carried out
- 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, supported by an adequate audit trail from underlying records and where appropriate, debtors and creditors were properly recorded.
- The exemption criteria from a limited assurance review in 2018/19 were met and the Council correctly declared itself exempt.
- The Council has correctly provided the proper opportunity in the summer 2019 for the exercise of public rights in accordance with the Accounts and Audit Regulations.

Recommendations

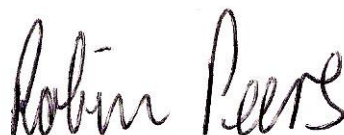
I make the following recommendations with a view to encouraging the Council to make improvements in its systems for internal financial control for the current financial year ending 31 March 2021.

1. I recommend that the Risk Register is updated and presented to the Upton Bishop Parish Council meeting for approval.
2. I recommend that the Financial Regulations (Revision 1.2 dated March 2020 due for review May 2020) are amended prior to review and adoption to include a suitable procedure for the preparation and submission of a Certificate of Exemption from a limited assurance review (external audit).

I would like to thank Mr Richard Abolins for his assistance.

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