

Seend Parish Council

Internal Audit Report 2018-19

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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 system of internal control and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR).

Internal Audit Approach

In undertaking our review for the year, we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts/AGAR. Our programme of cover has been designed to afford appropriate assurance that the Council's financial systems remain 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. The programme is also designed to facilitate our completion of the 'Internal Audit Report' in the Council's AGAR, which requires independent assurance over ten internal control objectives.

Overall Conclusion

We have concluded that, based on the satisfactory conclusion of our annual programme of work, the Council has again maintained adequate and effective internal control arrangements, with no significant issues identified, although we have identified a few areas where we consider controls could be further improved: detail of these is set out in the body of the report with resultant recommendations further summarised on the appended Action Plan.

Consequently, we have completed and signed the year's 'Internal Audit Report', having concluded that, in all significant respects the control objectives set out in the Report have been achieved throughout the financial year to a standard adequate to meet the needs of the Council.

We wish to compliment the Clerk for the logical and consistent manner in which the Councils Governance and Finance documents were presented for audit which has made the review process straightforward.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The clerk has continued to maintain the Council's accounting records for 2018-19 in spreadsheet format, which we consider more than adequate in view of the number of annual transactions with appropriate columnar analysis in place.

Given the relatively low number of annual transactions, we have verified the spreadsheet detail for the financial year to both current and deposit bank account statements, also verifying the accuracy of the brought forward balances as at 1st April 2018 to the prior year's closing balances.

We are pleased to note that bank reconciliations are prepared routinely and presented to Council for approval periodically, as required by the Governance and Accountability Manual (G&AM): consequently, we have checked and verified the year-end bank reconciliation.

Conclusion

There are no issues arising in this area of our review warranting formal comment or recommendation.

Review of Corporate Governance

We note that both Standing Orders and Financial Regulations have again been reviewed during the financial year both being based on the NALC models and formally re-adopted at the March 2019 meeting of the Full Council under Minute references 2019/173 and 174 respectively.

We further note that the Council has taken reasonable steps to comply with the General Data Protection Regulation legislation which came into force on the 25th May 2019.

We have reviewed the Council's minutes for the financial year to the 31st March 2019 to determine whether any issues exist or may be developing that might have an adverse effect on the Council's future financial stability, whilst also ensuring that, as far as we may reasonably be expected to determine, no decisions have been made or are being considered that might result in ultra vires expenditure being incurred.

We are pleased to note that the Council is complying with the disclosure requirements of the Transparency Code, posting all required information on its web site.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

Review of Payments & VAT

We have reviewed all payments made during the year to ensure that the following criteria were met:

- Payments were supported by a trade invoice or acknowledgement of receipt.
- VAT has been calculated correctly and is recovered at appropriate intervals.
- The Council at a Council meeting approved each payment.
- Payments have been correctly analysed in preparation of the year-end Statement of Accounts.
- Section 137 payments have been identified in the cashbook and are within the Council's spending limit.

We also note that the 2018-19 VAT reclaim has been prepared appropriately and was submitted to HMRC on 4th April 2019: we have verified the content of the reclaim to the cashbook detail.

We note that a schedule of payments is prepared and submitted to Council at each monthly meeting with both cheque signatories initialling the schedule. We also note that, following our recommendation in the prior year Internal Audit report, the supporting invoices and other payment documents are now also initialled. Additionally, they continue to reflect the cheque number and date of payment authorisation. The clerk also initials the invoices confirming receipt of goods or services and confirming the arithmetic accuracy of the invoices.

Conclusion

There are no issues arising in this area of our review warranting formal Comment or recommendation.

Assessment and Management of Risk

Our aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks identified in order to minimise the opportunity for their coming to fruition.

The Council formally reviewed its Financial and Health & Safety Risk Register during 2018-19 formally re-adopting it at the October 2018 meeting of the Parish Council under Minute reference 2018-99.

The Council has continued to place its insurance requirements with Hiscox during the 2018-19 financial year. We have reviewed the content of the schedule and consider that it remains appropriate for the Council's current needs with Employer's and Public Liability cover in place at £10 million, Officials Indemnity at £500,000 and Business Interruption at £10,000

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

Budgetary Control and Reserves

The Council's minutes, together with the supporting papers provided to Council, indicate that Members undertook a robust Budget setting and Precept determination process for the 2019-20 financial year, electing to set the Precept at £20,013 (£17,895 prior year) at the November 2018 meeting of the Parish Council under Minute reference 2018-121.1.5.

Overall reserves at 31st March 2019 have reduced to £11,519 (£14,262 prior year) and include Earmarked Reserves of £4,023 (£9,327 prior year) leaving a General Reserve of £7,496 (£4,935 prior year). This equates to approximately 2.9 months' net revenue expenditure based on current levels, which is only slightly below the recognised CiPFA guideline of between three, and six months' revenue expenditure.

Conclusion and recommendation

Whilst we appreciate that the Council holds healthy balances in its Earmarked Reserves, the level of General Reserve is somewhat lower than the lowest level specified in CiPFA guidelines. Members are encouraged to review this position during FY 2019-20 and ensure that the General Reserve is set at a level appropriate for the Councils ongoing financial requirements and at least at the minimum level recommended by CiPFA.

R1. The Council should ensure that it maintains an appropriate level of retained General Reserve, and at least the minimum level of three months as recommended in the generally accepted CiPFA guidance in this area.

Review of Income

The Council has relatively limited sources of income in addition to the annual precept: Income arises primarily from allotment rents, recoverable VAT, bank interest, occasional grants and donations. We have checked and agreed detail of all income between the cashbook and bank statements for the financial year, also ensuring appropriate recovery of all allotment rents for the year.

We are pleased to note that, following our previous recommendation, allotment rents have been reviewed during 2018-19 with increases approved accordingly for 2019-20.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

Petty Cash Account

We note the Council's policy not to maintain any form of cash float. Any out-of-pocket expenses incurred are reclaimed and paid accordingly in line with normal trader payment procedures. Subsequently, there are no issues arising in this area of our review warranting formal comment or recommendation.

Salaries and Wages

In examining the Council's payroll function, we aim to ensure 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) in relation to the deduction and payment over of income tax and NI contributions.

To meet these objectives, we have examined the payroll procedures in place and the physical payments made to the single member of staff in 2018-19 by reference to the April and May 2018

payroll documentation, which is produced “in house” utilising the bespoke Money Manager software. Our review has included: -

- Ensuring that the Council has approved employee pay rates for the financial year and that these have been duly and accurately applied;
- Checking to ensure that appropriate PAYE tax codes are being applied for the year;
- Noting that no tax or NI liability arises as the earnings are below the threshold
- Noting that no pension liability arises as the Clerk has opted out of the pension scheme; and,
- Ensuring that monthly payroll submissions are being properly submitted to HMRC in accordance with current legislation.

Conclusion

There are no issues arising in this area of our review warranting formal comment or recommendation.

Asset Registers

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We note that the Council has again reviewed, updated and re-adopted its photographic register of assets during 2018-19.

The value of assets reported in the AGAR is generally based on the detailed Statement of Accounts prepared on behalf of the Council by DCK Accounting, which we consider generally appropriate. However, the council should make improvements to its own Fixed Asset Register to ensure that appropriate columnar analysis and calculation is possible in future.

As reported last year, the absence of detailed historical data precludes placement of a financial value for every asset on the photographic record now in existence: in the absence of that detail, the Council has no alternative than to apply the value identified in the detailed Accounts prepared by DCK Accounting.

Conclusions and recommendation

In order to ensure consistency with the asset value reported in the AGAR, the detail reported in the DCK Accounting Statement of Accounts (Note 6) should be compared with the Council's photographic record to ensure that the former detail accurately reflects the actual current asset holding of the Council. To assist in this endeavour, columns should be included to record the following data: Date of Acquisition, Cost net of VAT, Date of Disposal, Insurance Value, Comments.

Additionally, the Value column should be subtotalled and totalled as required to ensure that a proper Fixed Asset Value is displayed.

R2. The Council should, again, review the structure of its Fixed Asset Register ensuring the addition of new columns to enable proper analysis to be undertaken. This should include, but not be limited to the following columns: Date of Acquisitions, Cost – net of VAT, Date of Disposal, Insurance Value, Comments.

R3. *The Column for the Asset Values should be totalled using a formula and the Council should ensure that the asset value to be entered at Box 9, Section 2 of the AGAR reflects the value recorded in the detailed Statement of Accounts at Note 6.*

Investments and Loans

The Council has no funds in investments, any surplus cash being held in an interest-bearing deposit account at Lloyds TSB and an account with the Bath Building Society. The Council has no loans either repayable by, or to the Council.

Statement of Accounts and AGAR

The Statement of Accounts has, as previously and indicated above, been prepared by DCK Accounting on behalf of the Council. We have checked the content of the Statement of Accounts to the cashbook, via the accountant's working papers with no issues noted.

We have also consequently verified the detail recorded in Section 2 of the AGAR to the cashbook, subject to the above identified amendment required to the asset value to be reported at Box 9.

Conclusions

No additional issues arise in this area this year and, based on the satisfactory conclusions reached from our work on the Council's systems of financial control and content of the detailed Summary Financial Statements and that summarised detail set out in Section 2 of the AGAR, we have signed off the internal audit report in the Return assigning positive assurances in each area.

Action Plan

Rec. No.	Recommendation	Response
Review of Budgetary Control and Reserves		
R1	The Council should ensure that it maintains an appropriate level of retained General Reserve, and at least the minimum level of three months as recommended in the generally accepted CiPFA guidance in this area.	
Asset Registers		
R2	The Council should, again, review the structure of its Fixed Asset Register ensuring the addition of new columns to enable proper analysis to be undertaken. This should include, but not be limited to the following columns: Date of Acquisitions, Cost – net of VAT, Date of Disposal, Insurance Value, Comments.	
R3	The Column for the Asset Values should be totalled using a formula and the Council should ensure that the asset value to be entered at Box 9, Section 2 of the AGAR reflects the value recorded in the detailed Statement of Accounts at Note 6.	