
Heytesbury, Imber & Knook Parish Council

Internal Audit Report 2017-18

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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 Return.

This report sets out the work undertaken in relation to the 2017-18 financial year, which took place on the 12th May 2018.

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 / Annual Return. Our programme of cover is designed to afford appropriate assurance that the Council has appropriate and robust financial systems in place that 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' as part of the Council's Annual Governance and Accountability Return (AGAR) process, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We have concluded that, based on the satisfactory completion of our programme of work for the year, the Council has again maintained adequate and effective internal control arrangements. We are pleased to report that only one issue arose this year warranting a recommendation. This is detailed in the body of our report and further described in the appended Action Plan.

We have therefore, completed and signed the 'Internal Audit Report', having concluded that the control objectives set out in that Report have been achieved within the financial year to a standard adequate to meet the needs of the Council.

Detailed Report

Maintenance of Accounting Records & Bank reconciliations

Our objective in this area is to ensure that accounting records are being maintained accurately and currently and that no anomalous entries appear in the spreadsheet cashbooks maintained by the Clerk. Three accounts are in operation with Lloyds Bank, two relating directly to the Council, and one maintained for the Village Hall Fund.

Checked and agreed the opening balance recorded in the April 2017 cashbook to that recorded in the closing Accounts and certified Annual Return for 2016-17;

- Ensured that appropriate analysis of receipts and payments exists to facilitate budget performance reporting and management throughout the year;
- Checked and agreed detail of the full year's transactions on the Current and Deposit Account cashbook detail, plus that for the Village Hall Fund to supporting bank statements;
- Similarly checked all inter-account transfers on the accounts for the year;
- Verified bank reconciliation detail on the Council's Current, Deposit and Village Hall Fund accounts cashbook detail from the 1st April 2017 to the 31st March 2018.
- Ensured the accurate disclosure of the combined balances in the Annual Return for 2017-18; and,
- Noted that the Council received an unqualified audit report for FY 2016-17.

Conclusions

No issues have been identified in this area this year warranting formal comment or recommendation.

Review of Corporate Governance

We are pleased to note that the Council has reviewed and adopted revised its Standing Orders and Financial Regulations in line with the latest NALC models during 2017. We note that the formal limit for tender action is set at £3,000 which we consider appropriate for a council of this size.

We have reviewed the Council's minutes for the financial year to determine whether or not any issues exist, or be developing, of a financial or legal nature that may impact on the audit opinion or the future financial stability of the Council. We have also ensured that, as far as we may reasonably be expected to ascertain, the Council has operated within its legal limitations.

The requirements of the Transparency Code became mandatory for smaller councils from 1st April 2015. For a Council of under £25,000 turnover, the Code requires the following to be published on a publicly available website:

- Annual return, including external audit certificate and any supplementary report
- Internal audit report
- Payments over £100
- Year end accounts
- Asset Register

- Councillor's responsibilities
- Minutes and agendas

We are pleased to note that, with the exception of the newly updated Asset Register which I am advised will be uploaded in due course, the Council's website continues to publish all relevant items.

Conclusions

No issues have been identified in this area this year warranting formal comment or recommendation.

Review of Payments

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Payments are supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and/or an acknowledgement of receipt, where no other form of invoice is available;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have reviewed the procedures in place for receiving, checking for authenticity and accurate detail recording, processing by the RFO and formal approval for payment by members. We note that from July 2017 a voucher has been affixed to each payment document to facilitate the authentication, approval and coding process. Whilst we wish to commend the Council for the effectiveness of the new procedures in place and the resultant documentary evidence supporting the payment approval process this year, we recommend once again that in line with best practice, a suitably designed rubber certification stamp should be acquired.

In order to ensure compliance with the above criteria and due to their relatively low number, we have examined all payments processed in the financial year for compliance with the above criteria and are pleased to report that no issues have arisen from testing in this area.

Conclusions and recommendations

No significant concerns have been identified in this area, although we consider that the members should evidence their review of invoices, etc to confirm that they have examined them when signing cheques using a certification stamp, rather than an attached docket which could become detached or be inadvertently removed.

R1. Consideration should be given to the acquisition of an appropriately designed rubber certification stamp to be affixed to every invoice or payment document evidencing members' examination of the documents when signing cheques.

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 to minimise the opportunity for their coming to fruition. We have: -

- Examined the Council's current year insurance policy with Aon via Maven ensuring that appropriate cover is in place: with both Public Liability set at £10 million, Employer's Liability at £5 million, Officials Indemnity at £500,000, Fidelity Guarantee at £250,000 and Business Interruption at £20,000 we consider cover appropriate for the Council's present requirements;
- Noted that the Council's risk assessment was completed, reviewed by members and approved at the meeting of the Full Council in March 2018; and
- Noted that the Council's play grounds and recreational areas continue to be inspected on an annual basis by RoSPA.

Conclusions

No issues have been identified in this area this year warranting formal comment or recommendation.

Budgetary Control and Reserves

We are pleased to note that the 2018-19 budget and precept were formally discussed by members with the latter formally approved by the Council at £9,050 at the January 2018 full Council meeting.

We are also pleased to note that members receive regular budget performance reports the level of bank balances held.

We have again examined the level of year-end funds available to the Council and note that overall reserves have decreased marginally and stand at £11,507 (£15,622 as at 31st March 2017) including a designated earmarked reserve in the amount of £4,597 pertaining to the Village Hall Fund leaving a General Reserve figure of £6,910. This balance equates to just over four and a half months' revenue spending at present levels, in line with the generally recognised CiPFA guideline of between three and six months' revenue spending annually and an appropriate level of reserve for a council of this size.

Conclusions

No issues have been identified in this area this year warranting formal comment or recommendation.

Review of Income

The Council receives income from relatively limited sources, including the annual precept, grants and bank interest. We have agreed detail of income recorded in the cashbook to such supporting records as are available and to bank statements and bank deposit slips.

We note that £10,050 was withdrawn from a Trust Fund and payable to the Trustee, which is the Parish Council. This sum is in the processes of being transferred into the Trust bank account, held separately from the Parish Council Finances and was identified as an unrepresented cheque in the Council's Year End Accounts.

We also note that the Council received £4,597 from a closed bank account which held funds raised for the provision of a village hall and collected by local residents. The Council has ring-fenced these funds as a designated earmarked reserve (as described above) and has invested them in a separate new bank account for such a purpose should a village hall be provided in the future.

Conclusions

No issues have been identified in this area this year warranting formal comment or recommendation.

Petty Cash Account

The Council does not operate a petty cash account, any out-of-pocket expenses incurred by the Clerk being paid through the normal trader payment approval procedures.

Salaries and Wages

We note the appointment of a new experienced clerk during the year following her acting as a locum clerk following the resignation of the previous incumbent. Consequently, we have checked the clerk's salary payments in the year to the approved scale fee and hours of employment, ensuring that detail is in accord with that in the Clerk's employment contract noting.

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 and NI contributions, noting that the clerk is currently not contributing to the pension fund.

The new Clerk prepares the Council's payroll using the HMRC Basic PAYE Tools on-line software: we have consequently checked detail of her gross monthly salary paid to date in the current year, also verifying the tax and NI deductions applied to the February 2018 (and prior months) salary records.

Conclusions

We are pleased to record that no issues arise in this area this year with the clerk's salary and any tax liability duly calculated using the HMRC Basic PAYE tools software.

Asset Registers

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We are pleased to note compliance with this requirement with the Clerk maintaining an appropriate register.

We have reviewed the register ensuring that any in-year acquisitions have been correctly added to the register and are accurately disclosed in the Annual Return at purchase cost net of VAT.

Conclusions

No issues have been identified in this area this year warranting formal comment or recommendation.

Investments and Loans

We are pleased to note that the Council has no loans either repayable by it or to it, and that there are no issues arising in this area currently. However, we take this opportunity to remind members of the new Statutory Guidance on Local Government Investments from the 1st April 2018-19 strongly encourages all parish councils to develop an investment strategy, providing their total investments exceed or are expected to exceed £10,000 at any time during the financial year.

Statement of Accounts and Annual Governance and Accountability Return

The Accounts and Audit Regulations, as amended periodically, require all councils to prepare annually a Statement of Accounts, which is now in the form of the Annual Governance and Accountability Return at Section 2, which is, together with the Annual Governance Statement at Section 1, subject to independent external audit examination and certification.

As part of our review process, we have examined the Council's procedures in relation to the identification of detail for inclusion in Section 2 of the Return, which is generated automatically by the Rialtas accounting software, and is used by the Clerk & RFO to provide a detailed set of accounting statements. We have agreed detail therein to Section 2 of the 2017-18 Annual Governance and Accountability Return.

Conclusions

We are pleased to record that no issues arise in this area and, on the basis of the work undertaken during the course of our review for the year, we have "signed off" the Internal Audit Report in the year's Annual Governance and Accountability Return assigning positive assurances in all areas.

Rec. No.	Recommendation	Response
Review of Payments and VAT		
R1	Consideration should be given to the acquisition of an appropriately designed rubber certification stamp to be affixed to every invoice or payment document evidencing members' examination of the documents when signing cheques.	