East Garston Parish Council

Internal Audit Report 2015-16

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Background and Scope

The Accounts and Audit Arrangements introduced from 1st April 2001 require all Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. The Council implemented this process in 2001-02 appointing us at Auditing Solutions Ltd and has received clear external audit certificates subsequently.

Internal Audit Approach

In undertaking our review for the year, we have again paid due regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts. In view of the low number of annual transactions, we have again undertaken direct substantive testing of all receipts and payments for the financial year, verifying detail to the relevant underlying documentation.

This report summarises our conclusions on each of the key areas set out in the Internal Audit Report that is required under the Annual Report arrangements. We have identified one issue where we consider that, in line with best practice, the Council could and should improve its evidencing of effective financial control by members, detail of which is set out in the body of the report with the resultant recommendation further summarised in the appended Action Plan.

Overall Conclusion

We are again pleased to conclude that overall, the Council continues to operate effective controls to help ensure that transactions are accurately reflected in the Summary Financial Statements and Annual Return. We again thank the Clerk for the clear manner in which records are maintained, which has simplified the internal audit process.

On the basis of 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 1 of the Annual Return, we have signed off the internal audit certificate at Section 4 of the Return assigning positive assurances in each relevant area.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The clerk has continued to maintain the Council's accounting records in spreadsheet format, which we consider to be perfectly acceptable in view of the low level of annual transactions with appropriate analysis for identification of detailed information for inclusion in the Council's own annual Summary Financial Statements and the statutory Annual Return.

We have checked and agreed the year's financial transactions, as recorded in the cashbook, to bank statements and have also reviewed the year-end bank reconciliation prepared by the Clerk, noting that there were no long-standing unpresented cheques or other anomalous entries in existence.

Conclusions

We are pleased to record that no issues have been identified in this area warranting formal comment or recommendation.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation

We note that the Standing Orders (SOs) and Financial Regulations (FRs) have been further reviewed and re-adopted during 2015-16. NALC has issued a further revision to the FRs, incorporating changes to reflect EU Legislation in relation to contracting and tendering and the need to formally advertise any contracts in excess of £25,000 over a three year period in the Government's Contract Finder web-site. Whilst we appreciate that the Council is not caught by these requirements currently, we suggest that when next due for review the latest NALC model document is used as the basis for any revision: we have duly provided the clerk with electronic copies of the updated FRs, the covering NALC letter issued when they were promulgated and other relevant NALC documentation relating to the revised procurement arrangements.

We have examined the minutes of the Council's meetings for the year to ensure that no issues have arisen or are developing that might have an adverse affect on the Council's financial stability now or in the future, also that there is and has been no indication of any unlawful expenditure or activity in the year or planned for the future.

Conclusions

We are pleased to record that no significant issues arise in this area this year. We shall continue to review minutes and monitor the Council's approach to governance issues at future visits.

Review of Payments

Given the relatively low number of payments made during the course of the financial year, we have examined all 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 are pleased to note that VAT is reclaimed relatively regularly with the latest claim submitted covering the period from 1st February 2015 to 31st January 2016 (£936.18).

Conclusions and recommendation

We are pleased to note that following our previous recommendation appropriate supporting documentation is now held on file for all payments including grants and donations.

We note that, whilst members signing cheques are initialling cheque counterfoils, the invoices or supporting documentation affords no indication of any review by members, although we understand that they do examine the documentation. Whilst not wishing to imply any impropriety by the clerk, following a recent fraud arising at a town council on the South coast, whereby the clerk was fraudulently submitting invoices on more than one occasion with cheques written in removable ink and members were signing cheques without seeing invoices, best practice suggests that members should examine invoices and evidence their review thereon accordingly.

We also consider that, again in line with best practice, the clerk should be initialling invoices indicating confirmation of their arithmetic accuracy and receipt of the goods and/or services so invoiced. Our experience is that most councils use an appropriately designed rubber stamp affixed to each invoice which can then be initialled by the clerk and members, also identifying the cheque number and payment date: this also helps reduce the risk of possible duplication where regular and standard amounts for payment, such as the clerk's salary are approved for payment.

R1. Consideration should be given to the acquisition of a suitably designed rubber certification stamp to be placed on each invoice for completion by the clerk and cheque signing members, as detailed in the body of the report.

Assessment and Management of Risk

We have previously reported that the Council has developed a detailed record identifying potential areas of risk and are pleased to note that the document has been the subject of further scrutiny and re-adoption by the Council in May 2015.

Zurich Municipal provides the Council's insurance cover: we have examined the insurance schedule and consider that it is in line with expectation and remains appropriate for the Council's present needs.

Conclusions

No issues arise in this area this year.

Budgetary Control and Reserves

The Council's minutes (7th January 2016 meeting) confirm that members have considered and agreed the 2016-17 budget and precept, setting the latter at an unchanged level of £9,000.

Total Fund balances have decreased to £14,879 as at 31st March 2016 (£15,085 at the prior year-end). Of that sum, £9,795 has been "set-aside" in specific reserves - "Special and Emergencies Fund"; "Digital Village Fund"; "Open Space Development Fund" and "Community Defibrillator Fund". The residual General Fund balance of £5,084 equates to approximately six months' revenue spending at present levels and is in line with the CiPFA recommended level of retained General Fund balance (i.e. between three and six months' net revenue spend).

Conclusions

No issues arise from this area of our review warranting formal comment or recommendation.

Review of Income

The Council has received, in addition to the annual precept and Council Tax Support Grant, sundry income by way of bank interest and a refund of VAT incurred. We have checked and agreed detail of all income between the cashbook and bank statements for the financial year, also examining other available supporting documentation.

Conclusions

We are pleased to record that no issues have been identified in this area of review.

Petty Cash Account

The Council does not operate a petty cash account. Any out-of-pocket expenses incurred by the clerk in connection with his work for the council are reclaimed periodically and paid by separate cheques, which are minuted and approved as with ordinary trade invoices.

Salaries and Wages

We note that the Council has again considered the Clerk's salary during the year agreeing that no increase was warranted currently and have accordingly verified the accuracy of payments made paid in the year.

We are also pleased to note that a formal PAYE scheme with an external payroll company exists to pay the Clerk with tax deducted and paid directly to HMRC by the Council.

Conclusions and recommendation

We are pleased to record that no issues have been identified in this area this year, apart from noting that the cost of the payroll bureaux service (£108 in 2015-16: £104 in 2014-15) has been included (in pencil) as a "Staff cost" at Box 3 of Section 2 of the year's in the year's Annual Return presented or our examination.

In accordance with the "Practitioner's Guide", only direct employment costs should be included in this Box and detail in Boxes 4 & 6 should be recorded appropriately as £1,092 & £9,217 respectively for 2014-15 and annotated as "Restated", whilst the 2015-16 detail should be recorded as £1,095 and £9,255 respectively.

R2. The "Staff Cost" Boxes in this year's Annual Return for the current and previous years should record only costs directly associated with the employment of the Clerk as indicated in the body of the report with the "Other Expenditure" Boxes adjusted accordingly to include the payroll bureaux costs: the 2014-15 detail should be annotated as "Restated".

Asset Registers

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We are pleased to note that a suitable record has again been prepared by the Clerk with one new asset added this year.

We are again pleased to note the Council has complied with the extant guidance on reporting asset values in the year's Annual Return.

Conclusions

We are pleased to record that no issues have been identified in this area.

Investments and Loans

The Council holds no long-term investments nor are any loans in place repayable by or to the Council.

Statement of Accounts and Annual Return

We have examined the year's Summary Financial Statements as prepared by the Clerk and agreed the detail therein to supporting documentation. Similarly, we have agreed the Annual

Return detail in Section 1 to the Statement of Accounts and additional underlying records for the year.

Conclusions

No issues have arisen in this area of our review process and we have duly signed off the Internal Audit Certificate at Section 4 of the Annual Return assigning positive assurances in each relevant area.

Action Plan

Rec. No.	Recommendation	Response
Review of Payments and VAT		
R1	Consideration should be given to the acquisition of a suitably designed rubber certification stamp to be placed on each invoice for completion by the clerk and cheque signing members, as detailed in the body of the report.	
Salaries and Wages		
R2	The "Staff Cost" Boxes in this year's Annual Return for the current and previous years should record only costs directly associated with the employment of the Clerk as indicated in the body of the report with the "Other Expenditure" Boxes adjusted accordingly to include the payroll bureaux costs: the 2014-15 detail should be annotated as "Restated".	