East Garston Parish Council

Internal Audit Report 2016-17

Prepared by Allison Hall

Stuart J Pollard

Director
Auditing Solutions Ltd

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 at the outset of the revised arrangements appointing Auditing Solutions Ltd to undertake the internal audit and has received clear external audit certificates subsequently.

Internal Audit Approach

In undertaking the review for the year, we have again had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts/Annual Return. 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.

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 and Bank Reconciliations

The Clerk has maintained the Council's accounting records using spreadsheets as previously, which we consider perfectly adequate for the purpose. We note that the Council has closed the Santander current and deposit accounts during the year and opened a current and deposit account with the Unity Trust Bank.

We are pleased to note that the Clerk continues to report the monthly bank reconciliations to the bi-monthly Council meetings and that the Chair continues to check and sign them. We have reviewed the 31st March 2017 year-end position to ensure that no anomalies or long-standing unpresented cheques, etc are in existence with no issues were arising.

We have checked and agreed detail of all the transactions recorded in the cashbook spreadsheets to bank statements for the financial year again with no issues found.

Finally, in this area, we have ensured the accurate disclosure of the year-end balances in the Annual Return.

Conclusions

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

Review of Corporate Governance

Our objective 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 no actions of a potentially unlawful nature have been or are being considered for implementation.

We are pleased to note that the Council has reviewed and re-adopted their Financial Regulations at the March 2017 meeting. These are based on the latest NALC model and incorporate the Council's controls over online banking which the Council started using in 2016-17. The Standing Orders were last reviewed and re-adopted at the November 2015 meeting.

We have continued our review of the Council minutes for the financial year to determine whether any issues exist that may have either a legal or financial impact on the Council and its future financial stability, also that no actions have been taken or are planned that might be deemed ultra vires.

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

- Annual return
- Internal audit report
- Payments over £100
- Year end accounts
- Assets

- Councillor's responsibilities
- Minutes and agendas

Review of the Council's website (http://eastgarston-pc.gov.uk/ Parish_Council/ Finance_and_Compliance.aspx) has confirmed full compliance.

Conclusions

We are pleased to report 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 Expenditure

There has been a significant change in the way the Council makes payments in the year with online payments being made from the Council's bank account for the majority of payments from January 2017. We are pleased to report that appropriate controls have been put in place to regulate these payments and that the Council's Financial Regulations and the clerk's operating procedure documents have been updated accordingly.

We are also pleased to note that the Council has acted upon our recommendation from last year and purchased a rubber certification stamp which is affixed to all invoices. This is then initialled by the clerk, the two authorising Councillors and also shows the date and method of payment.

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; and**.**
- Section 137 payments have been identified in the cashbook and are within the Council's spending limit.

We are pleased to report that all payments were supported by an invoice or other appropriate piece of documentation. VAT has again been correctly identified in the cashbook with detail agreed to the claim covered the period from March to October 2016 and totalling £1,734.54.

We are again pleased to note that all payments are listed in the minutes of the bi-monthly Council meetings and approved by the Councillors present. We noticed one very minor error whereby cheque 827 was recorded in the minutes as £15 but the actual payment was for £32.99. This would appear to be a one off error and is not reflective of the system itself which remains robust.

S137 payments are identified as such in the cashbook and the total amount is well within the Council's limit for 2016-17.

Conclusions

We are pleased to report that no significant issues were identified in this area warranting formal comment or recommendation.

Assessment and Management of Risk

We note from our review of minutes that the Council has reviewed and confirmed the continued appropriateness of its Governance and Management Risk Register at the September 2016 meeting.

The Council's insurance is provided by Zurich Municipal. We have examined the schedule for 2016-17 and consider that, with Employer's and Public Liability both in place at £10 million and Fidelity Guarantee cover set at £25,000, the Council is appropriately insured.

Conclusions

No matters arise in this area warranting formal comment or recommendation.

Budgetary Control and Reserves

We are again pleased to note that the Council has undertaken a review of its budgetary requirements for 2017-18, adopting formally an unchanged precept of £9,000 for the year.

The Council's overall reserves stand at £14,427 at 31st March 2017 (£14,879 as at 31st March 2016). Of that sum, £9,461 has been set aside in specific reserves. The residual General Fund balance of £4,966 is well within the CIPFA guideline of three to six months' net revenue spending as good practice for uncommitted reserves.

Conclusions

No matters arise in this area warranting formal comment or recommendation.

Review of Income

The Council receives, in addition to the annual precept, bank interest, recoverable VAT and, in 2016-17, a grant for the Millennium Field steps (£2,173). We have checked and agreed detail of all income between the cashbook and the bank statements for the financial year, also examining other available supporting documentation.

Conclusions

No matters arise in this area 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 payments process.

Salaries and Wages

We note that the Council has again considered the Clerk's salary during the year and that an increase was agreed in line with the change to the NJC scales, as detailed in the January 2017 minutes. We have tested and agreed the calculation of back pay due as a result of this decision.

We are also pleased to note that a formal PAYE scheme with an external payroll provider exists to pay the clerk with tax deducted and paid directly to HMRC. We note that the Council has formally considered whether auto enrolment is relevant and found that it is not currently as the only employee is above state retirement age.

Finally we are pleased to note that the staff costs on the Annual Return correctly exclude the cost of the payroll bureau service.

Conclusions

No matters arise in this area warranting formal comment or recommendation.

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 spreadsheet has been developed and continues to be used to record detail of the Council's assets.

Extant reporting guidance requires that asset values in the Annual Return are recorded at purchase cost or, where that value is unknown at the previous year's Return level uplifted or decreased to reflect the acquisition of any new assets or disposals. We again note that this guidance has been followed, with new assets acquired 2016-17 added at purchase cost less VAT.

Conclusions

No matters arise in this area warranting formal comment or recommendation.

Investments and Loans

The Council holds no investments or loans.

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 has been identified in this area and we have duly completed the Internal Audit Certificate at Section 4 of the Return assigning positive assurances in each area.