
Seend Parish Council

Internal Audit Report 2016-17

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Background

All town and parish councils are required by statute to make arrangements 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. Auditing Solutions Ltd has provided this service the Council since the outset of the “Limited assurance” audit arrangements.

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 misrecording or misrepresentation in the year-end Statement of Accounts/Annual Return. 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 Annual Return, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We have concluded that, on the basis of 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 ‘Internal Audit Report’ in the year’s Annual Return, 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.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The new clerk has continued to maintain the Council's accounting records for 2016-17 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 2016 to the prior year's closing balances. Furthermore, we have checked and verified the year-end bank reconciliation.

Conclusions

No issues arise in this area of our work.

Review of Corporate Governance

We are pleased to note that both Standing Orders and Financial Regulations have been reviewed during the financial year and are now based on the NALC models. The Financial Regulations and Standing Orders were both formally adopted at the March 2017 meeting of the Full Council with a tender value set consistently in both documents at £10,000 as recommended in our 2015-16 report.

We have reviewed the Council's minutes for the financial year to determine whether or not 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.

Conclusions

Whilst we are pleased to record that no significant issues exist in this area, we have noted that, in a number of cases, separate issues have been discussed under a single minute number. Whereas this is acceptable, separate issues should ideally be uniquely identified (e.g. 2017/999(a), 999(b), 999(c) etc).

Additionally, the words; 'approved' and 'agreed' etc. have been used to describe the conclusion of discussion by the members of an item of council business. This is unsatisfactory and should be discouraged. Council members are required to formally resolve to take any action in the form of a vote for or against a proposition. This requires that a motion is proposed, seconded and the outcome of the vote recorded. This information must include, in all cases, the names of the members proposing and seconding a motion, and the numbers of the members voting for the motion, (other than in a unanimous vote). We also recommend that the names of the councillors voting against or abstaining from voting on a motion be recorded.

RI. The minutes of meetings should be recorded in accordance with NALC best practice and legal requirements, as described in the body of the report.

Review of Payments

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.

Conclusions

We are pleased to record that the above criteria were met appropriately in every case. We also note that the 2016-17 VAT reclaim has been prepared appropriately and was submitted to HMRC in April 2017.

Assessment and Management of Risk

The Council formally reviewed its Governance and Management Risk Register during the early part of 2016-17 being formally re-adopted at the September meeting of the Full Council.

The Council remains insured with Hiscox. 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 and Fidelity Guarantee cover at £150,000.

Conclusions

We are pleased to report that no issues arise in this area this year.

Budgetary Control and Reserves

The Council's minutes, together with the supporting papers provided to Council, indicate that members have considered and agreed the 2017-18 budget and precept, setting the latter at £13,256 at the November 2016 meeting of the Full Council.

Overall reserves at 31st March 2017 have decreased slightly to £11,574 (£13,557 as at 31st March 2016) and include an Earmarked Reserve of £1,348 leaving a General Reserve of £10,226. This equates to approximately eight months' net revenue expenditure based on current levels, which, as reported previously, is higher than the CiPFA guideline of between three and six months revenue spending. We also note that the precept request for 2017-18 has been increased. As indicated previously, we consider that the Council should ensure that its balances do not reach too excessive a level.

Conclusions and recommendation

We are pleased to record that no significant issues arise in this area although, as indicated above, we consider the level of retained reserves potentially excessive.

R2. The Council should ensure that it retains appropriate balances to ensure the continued efficient running of the Council, whilst making sure they do not reach excessive levels.

Review of Income

The Council receives, in addition to the annual precept, limited income from bank interest, occasional grants and donations, allotment rents and recoverable VAT. We have checked and agreed detail of all income between the cashbook and bank statements for the financial year.

We note that allotment rents were last formally reviewed in March 2014 with the Council resolving to retain them at the same level in an effort to encourage occupancy of the site. Best practice and the NALC model Financial Regulations suggest that all fees and charges should be reviewed annually and we consequently suggest that the Council observes that protocol and formally minutes the completion of the review even if the decision is taken to retain fees at the same level.

Conclusions and recommendation

Other than the ideal of reviewing fees and charges annually, no issues arise in this area.

R3. The Council should review allotment rents annually, formally recording the outcome of their deliberations in the minutes ensuring that the rents charged remain fair and appropriate.

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.

Salaries and Wages

We note that a new Clerk has been appointed during 2016-17 and is remunerated on the same payments scale as the retiring Clerk (NJC SCP point 21). We have checked the salary payments of both Clerks throughout the financial year and verified these payments, including the Tax and NI deductions which are paid to HMRC via a formal PAYE scheme.

Conclusion

No issues arise in this area of our review.

Asset Registers

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. The Council has revised and updated its register of assets during 2016-17 to include a photographic index of assets. However, we have been unable to verify the asset values as recorded in the Annual Return as the register records them at insurance value, whilst the detail in Note 6 to the detailed Statement of Accounts prepared on behalf of the Council by their contract accountants, relates to the value reported in Section 2, Box 9 of the Annual Return.

Extant guidance now requires that asset values in the Annual Return are reported 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 are pleased to note the Council has reflected this in their Annual Return data with the one asset purchased during the year being added at purchase cost net of VAT.

Conclusions and recommendation

In order to ensure consistency with the asset value reported in the Annual Return, the individual asset register values should reflect those constituting the Annual Return value, although we acknowledge that also identifying the insured value represents best practice.

R4. The asset register detail should be amended to identify both the Annual Return values for individual assets, together with the insured values.

Investments and Loans

The Council has no funds in investments, any surplus cash being held in an interest bearing deposit account at Lloyds TSB: no loans are in existence either repayable by or to the Council.

Statement of Accounts and Annual Return

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

We have also consequently verified the detail recorded in Section 2 of the Annual Return to the cashbook.

Conclusions

No issues arise in this area this year and, on the basis of 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 Annual Return, 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 Corporate Governance		
R1	The minutes of meetings should be recorded in accordance with NALC best practice and legal requirements, as described in the body of the report.	<i>Action - The Clerk has improved the recording of the minutes by following the recommendations made by NALC best practice for minute taking. Each minute now has a clearer numbering system. The Clerk has also used the word resolved or resolution to identify clearly when a course of action is agreed by the Parish Council.</i>
Budgetary Control and Reserves		
R2	The Council should ensure that it retains appropriate balances to ensure the continued efficient running of the Council, whilst making sure they do not reach excessive levels.	<i>Action – At it’s Precept budget meeting , the Councillors looked at the current reserves and projected expenditure, particularly in relation to a highways budget. In the 2017-18 Annual Return, we will make clearer the earmarked reserves for the continued work of the Neighbourhood Plan Steering Group, and also identify where monies will be required for future Highway Projects where a figure is known.</i> <i>In this coming financial year 2018-19, we will be needing approximately £6,000 to help finance road safety improvements at the Bell Hill crossroads. We have added a Highways budget of £2,000 in our Precept, and anticipate that approximately £4,000 will need to come out of reserves. In addition, we have earmarked £2,000 for the Church Crossing which was meant to be installed in the 2017-18 financial year but has been carried over by Highways.</i>

Action Plan

Review of Income

- R3 The Council should review allotment rents annually, formally recording the outcome of their deliberations in the minutes ensuring that the rents charged remain fair and appropriate.

Allotment rents were reviewed at our Precept budget meeting on 6th November and an increase to £35 single plot and £60 for double plot was proposed. This was formerly approved at 28th November full council meeting: Minute no: 2017/148.3.2

Asset Registers

- R4 The asset register detail should be amended to identify both the Annual Return values for individual assets, together with the insured values.

The Asset Register has been updated and now includes the Annual Return values for individual and combined assets where known. It also includes Insured values. This was formally adopted at the 27th February meeting – Minute no: 2018/191.1.
