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# **Seend Parish Council**

*Internal Audit Report 2017-18*

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## 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.

# Detailed Report

## Maintenance of Accounting Records & Bank Reconciliations

The clerk has continued to maintain the Council's accounting records for 2017-18 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 1<sup>st</sup> April 2017 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.

### *Conclusions*

*No issues arise in this area of our work.*

## 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 2018 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 and to date in 2018-19 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*

*We are pleased to record that no issues exist in this area warranting formal comment or recommendation this year.*

## 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 2017-18 VAT reclaim has been prepared appropriately and was submitted to HMRC on 4<sup>th</sup> April 2018: we have verified the content of the reclaim to the cashbook detail.

Whilst 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 note that the supporting invoices are not actually initialled themselves, although they reflect the cheque number and date of payment authorisation. In order to further strengthen the control and reduce any potential risk of invoices being resubmitted with potential duplicated payments arising, we suggest that, in line with best practice, the cheque signatories initial the actual invoices: ideally, the clerk should also initial the invoices confirming receipt of goods or services and confirming the arithmetic accuracy of the invoices.

### ***Conclusions and recommendation***

***We are pleased to record that the above criteria were met appropriately in every case, although, as indicated above, we suggest that the invoices themselves be initialled by the cheque signatories and clerk, as indicated above in order to reduce the risk of potential resubmission and duplication of payments.***

*R1. In order to further reduce the risk of duplicated payments occurring and formally evidence examination of invoices, each should be initialled by the cheque signatories and also by the clerk, as indicated in the body of the report.*

## **Assessment and Management of Risk**

The Council formally reviewed its Governance and Management Risk Register during 2017-18 formally re-adopting it at the October 2017 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 2018-19 budget and precept, setting the latter at £17,895 at the November 2017 meeting of the Full Council.

Overall reserves at 31<sup>st</sup> March 2018 have increased to £14,262 (£11,574 as at 31<sup>st</sup> March 2017) and include Earmarked Reserves of £9,327 leaving a General Reserve of £4,935. This equates to

approximately four months' net revenue expenditure based on current levels, which is in line with the generally recognised CiPFA guideline of between three and six months revenue spending.

### ***Conclusions***

***We are pleased to record that no significant issues arise in this area.***

## **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, 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 2017-18 with increases approved accordingly for 2018-19.

### ***Conclusions***

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

## **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 noted last year the appointment of a new Clerk who is being remunerated in accordance with her employment contract and are pleased to again acknowledge compliance with the 1<sup>st</sup> April 2017 pay award correctly applied. No tax, NI or pension liability arises as, in the former two cases, earnings are below the threshold and in the latter the clerk has "opted-out".

### ***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. We note that the Council has again reviewed, updated and re-adopted its register of assets during 2017-18 to also now include a photographic index of assets.

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, although we note that the AGAR Section 2 submission detail provided by DCK Accounting to us has not been uplifted for 2017-18 to reflect the value of the additional defibrillator acquired in the year (£1,099): the detailed Accounts have, however, been updated accordingly. However, we note that the information held by the Council reflects the amendment as made appropriately.

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, amending detail in either that record or the photographic register accordingly to ensure that both are in synch. This review should be undertaken before 31<sup>st</sup> March 2019.***

R2. *The Council should review and compare the content of asset detail in their photographic register with that in the Accounts at Note 6, ensuring that any necessary amendments are made to one or both records prior to closure of the Accounts for 2018-19.*

R3. *The Council should ensure that the asset value to be entered at Box 9, Section 2 of the 2017-18 AGAR reflects the value recorded in the detailed Statement of Accounts at Note 6 (i.e. it includes the additional defibrillator) prior to submission of the Return to PKF Littlejohn.*

## **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 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
<b>Review of Payments</b>		
R1	In order to further reduce the risk of duplicated payments occurring and formally evidence examination of invoices, each should be initialled by the cheque signatories and also by the clerk, as indicated in the body of the report.	
<b>Asset Registers</b>		
R2	The Council should review and compare the content of asset detail in their photographic register with that in the Accounts at Note 6, ensuring that any necessary amendments are made to one or both records prior to closure of the Accounts for 2018-19.	
R3	The Council should ensure that the asset value to be entered at Box 9, Section 2 of the 2017-18 AGAR reflects the value recorded in the detailed Statement of Accounts at Note 6 (i.e. it includes the additional defibrillator) prior to submission of the Return to PKF Littlejohn.	