

Cheverell Magna Parish Council

Internal Audit Report 2018-19

Allison Hall

*For and on behalf of
Auditing Solutions Ltd*

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 Governance and Accountability Return (AGAR). This report sets out the work undertaken in relation to the 2018-19 financial year.

Internal Audit Approach

In undertaking our review for the year, we have 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 are 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 several internal control objectives.

Overall Conclusion

We have concluded that, based on the programme of work undertaken on the 2018-19 papers provided for audit, the Council has demonstrated that adequate and effective internal control arrangements were in place during the financial year.

We have completed and signed the 'Internal Audit Report' in the year's AGAR, having concluded that the objectives set out in that Report were being achieved during the financial year to a standard adequate to meet the needs of the Council.

We would like to take this opportunity to thank the Council and the Clerk for their considerable work in providing such good quality working papers for audit.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliation

The Clerk has again maintained the Council's cashbook accounting records in an Excel spreadsheet, which is considered more than adequate for the volume of annual transactions. It is in columnar form, with a separate column for VAT.

Two bank accounts are in operation. At the start of the year these were both with HSBC although the Council decided to close these accounts and move their funds to two accounts with the Unity Trust Bank following significant difficulties with HSBC.

We have checked and agreed the cashbook entries in full to the bank statements for the financial year also agreeing the year-end cashbook and bank statement reconciliation to ensure there were no anomalous items or out-of-date cheques with no issues arising. We are pleased to note that, members continue to review and sign-off bank reconciliations routinely during the year in accordance with section 2.2 of the Council's Financial Regulations.

Conclusion

There were no significant matters arising from our review of this area warranting formal recommendation.

Review of Corporate Governance

We are pleased to note that the positive action taken by the Council to improve the Council's governance controls during the previous year has remained in place for 2018-19. Standing Orders and Financial Regulations (SOs and FRs) were approved and re-adopted by the Council in July 2018 taking account of the new requirements as set out in the latest NALC model documents extant at that time.

We are pleased to note that, in response to our recommendation last year, the limit for formal tender action in both SOs and FRs was revised down from £25,000 to £10,000, which we consider reasonable and appropriate for a Council of this size.

We have examined the Council minutes for the year to determine whether any issues exist that may have either a legal or financial impact on the Council and its future financial stability, whilst also ensuring that the Council has neither considered or is considering any actions that may result in ultra vires expenditure.

The requirements of the Transparency Code became mandatory for smaller Councils from 1st April 2015. We are pleased to note that the Council continue to comply with the disclosure requirements.

Conclusion

There were no significant matters arising from our review of this area warranting formal recommendation.

Review of Payments

We aim in this area to ensure that the Council has appropriate procedures and controls in place to ensure that all payments are subjected to appropriate scrutiny and evidenced payment approval prior to their release. Due to their relatively low number, 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 are pleased to note that the Council have continued to use the detachable certification slip for authorisation of payments. This identifies the payment voucher and cheque numbers, cheque date, whether within budget or not (if not the relevant approving minute and meeting date) and signatures of the two cheque signatories.

All payments were supported by an appropriate invoice or other supporting documentation and all had been approved in the minutes of a council meeting.

Finally, we note that VAT has been identified correctly in the cashbook. At the end of 2017-18 this totalled £947.46 and reclaimed from HMRC on 3rd April 2018. VAT of £267.53 for the period April 2018 to November 2018 was also reclaimed in the year. A further £50.82 of VAT was incurred between December 2018 and year-end and will need to be included in the next claim.

Conclusion

There were no significant matters arising from our review of this area warranting formal recommendation, although we suggest that reclaims be prepared and submitted at half-yearly intervals as at 30th September and 31st March annually.

Assessment and Management of Risk

We are pleased to note that the Council's Risk Register has been discussed and approved at least once during the financial year, the latest occasion being at the December 2018 meeting.

The Council's insurance cover is now provided by Royal Sun Alliance. Cover for the year includes Public and Employers Liability at £10m each and Employee dishonesty / Fidelity Guarantee at £25,000.

In respect of the safety of play equipment, the Council receive an annual safety report from RoSPA and have taken appropriate action to remedy any deficiencies found in the report. There is evidence in the minutes of regular inspections of the play equipment by a Councillor. During the latter part of the financial year, a new Councillor went on a RoSPA run training course about how to inspect equipment and the March 2019 minutes report that inspections will now be undertaken weekly.

Conclusion

There were no significant matters arising from our review of this area warranting formal recommendation.

Budgetary Control and Reserves

The minutes of the January 2019 Council meeting, together with other relevant supporting papers, afford sound indication that members have considered and agreed the detailed 2019-20 budget and precept requirement, setting the latter at an increased value of £10,118, and minuting the adopted value accordingly.

We note that members continue to be presented with financial information at meetings and that due care is taken not to exceed budgets when payments are discussed and authorised.

The total value of reserves has increased during the year to £21,400 (£19,411 at 31st March 2018). We note that earmarked reserves are in place leaving the General Reserve fund balance at around seven months' revenue spending at the 2018-19 level.

Conclusion

There were no significant matters arising from our review of this area warranting formal recommendation.

Review of Income

The Council's has received limited income during 2018-19 in the form of the annual precept, the prior year and part of the current year's VAT recovered, a bequest, a small amount in SSE wayleaves and interest. We have checked and agreed all cashbook transactions to bank statements and other available supporting documentation.

Conclusion

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

Petty Cash Account

The Council does not operate a petty cash account. Any out-of-pocket expenses incurred by the Clerk in connection with their work for the Council are reclaimed and paid by separate cheque processed in the same manner as all trader payments.

Salaries and Wages

The Council only employs one employee, a Clerk. The current Clerk commenced employment with the Council from November 2016. We are pleased to note the existence of an employment contract setting the Clerk's salary on the national spinal point of 29 for 7 hours per week.

The minutes of the May 2018 meeting show that the Council approved the National Joint Council's pay increase to scale points w.e.f. 1st April 2018.

We are pleased to note that, in response to our recommendation in last year's report, the Council approved a change to the method of calculation of the clerk's salary (per the minutes of the July 2018 meeting). The relevant back pay was paid to the clerk in September 2018. We have checked and reviewed the calculation of both the back pay and the new monthly salary amount with no issues arising.

We understand that the council is aware of its responsibility to deduct tax and NI at source (this is included in the clerk's contract of employment). The clerk is under the threshold and therefore does not pay tax on these earnings. However, he submits them monthly to HMRC via the electronic Gateway to demonstrate that all earnings have been disclosed.

Conclusion

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

Asset Registers

The Governance and Accountability Manual requires all Councils to maintain a record of all assets owned and are pleased to note compliance with this requirement.

The AGAR reporting arrangements now require that asset values are reported at purchase cost or, where that value is unknown, at the previous year's Return value uplifted or decreased to reflect the acquisition of any new assets or disposals. We are pleased to note that the purchased assets have been correctly included at the purchase cost net of VAT.

Conclusion

No issues arise from this area of our review.

Investments and Loans

The Council has no funds placed in investment accounts currently, nor are any loans in existence repayable either by or to the Council.

Statement of Accounts and AGAR

The AGAR now provides the formal statutory accounts of the Council subject to external audit certification. We have checked the detail disclosed in the 2018-19 AGAR at Section 2 agreeing it to the underlying cashbook and other relevant records, with no issues arising.

Conclusion

Based on the satisfactory conclusion of our review programme for the year, with no significant issues arising, we have duly signed off the Internal Audit Report section of the AGAR assigning positive assurances in each relevant area.