
Great Bedwyn Parish Council

Internal Audit Report 2017-18

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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 internal auditor has then to provide the Council with a report covering a number of key areas associated with the transactions and management of the Council's affairs. The Council implemented this process at the outset appointing Auditing Solutions Ltd: we have provided the service continuously since that date apart from 2015-16.

Internal Audit Approach

In undertaking our review this year, we have, as in prior years, had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts as now embodied in the Annual Governance and Accountability Return (AGAR). In view of the low volume of annual transactions we have again undertaken direct substantive testing of all receipts and payments for the financial year, verifying detail to such underlying documentation as is available.

This report summarises our conclusions on each of the key areas set out in the Internal Audit Report that is required under the AGAR arrangements. Issues requiring attention have been further summarised into an Action Plan at the end of the report. We ask that the Clerk and Members consider these recommendations and take appropriate steps to ensure their implementation.

Overall Conclusion

We are pleased to conclude that the Council continues to operate generally effective control systems that help ensure that transactions are accurately reflected in the Statement of Accounts / AGAR.

Based on work undertaken on the Council's records this year, we have signed off the Internal Audit Report in the AGAR assigning positive assurances in each area apart from that relating to the requirement to approve annually the Council's risk assessment. Whilst a formal risk register is in place it has not been formally reviewed or re-adopted during the financial year contrary to the requirements of the Governance and Accountability Manual (G&AM).

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Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Clerk has recorded the Council's accounting transactions using an Excel workbook with separate worksheets used to record receipts and payments. Two bank accounts are in use with TSB with transactions on each account recorded in the appropriate cashbook throughout the year.

We are also pleased to note that the cashbooks contain appropriate analysis to assist in production of both a detailed year-end Statement of Accounts and the AGAR information at Section 2, together with periodic budget performance information for presentation to Members.

We have ensured the accurate recording of the 2016-17 closing cashbook balances as opening entries for 2017-18.

In view of the relatively low volume of annual transactions, we have checked and agreed detail of all cashbook entries to bank statements for the year, also verifying the detail in the year-end bank reconciliation. We noted one cheque for £237.60, recorded at 31st March 2018 as an outstanding cheque was actually drawn in April 2018. Following the accounting rules for Parish Council's this amount should be included in the 2018-19 accounts.

Conclusions

The accounts reconcile to the bank and no significant issues are noted in this area. However, cheques should be recorded I the cashbook on the date (and in year) that they are physically drawn: consequently, the above noted error should be corrected and the cheque be recorded in the 2018-19 cashbook and Accounts.

R1. The cheque for £237.60 should be included in the 2018-19 cashbook and Accounts not - he records for 2017-18. Consequently, non-pay expenditure (AGAR Section 2, Box 6) for 2017-18 should be reduced by £237.60 to £25,690 with a corresponding increase in the year-end balance reported at Boxes 7 & 8 to £28,889.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place, specifically that Council and, where applicable, Committee meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are reasonably able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We also aim to ensure that appropriate policies, procedures and protocols are in place to prevent and provide a reasonable assurance of the detection of any fraudulent or corrupt activity.

We have reviewed the Council's and Finance Committee minutes for meetings held in the financial year 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 no decisions

have been made or are being considered that might result in ultra vires expenditure being incurred.

We note that Financial Regulations were subjected to review and re-adoption by the Finance Committee in November 2016. Standing Orders say the Financial Regulations shall be approved by the Finance Committee and that they shall be reviewed regularly and at least annually. To comply with Standing Orders the Financial Regulations should be reviewed at the first available opportunity taking account of all recent guidance issued by NALC in their updated model document.

We thank the Chairman for completing our Governance Questionnaire, which assists us in determining the effectiveness of the Council's overall control arrangements.

Conclusions and recommendation

We are pleased to report that no significant issues arise in this area currently, although as above, the Financial Regulations should be reviewed to ensure they take account of the latest NALC model document. We shall continue to monitor the Council's approach to governance at future years' audits, assuming we are reappointed.

R2. The Finance Committee should review Financial Regulations annually as specified in the Council's adopted Standing Orders, ensuring that they reflect detail in the latest NALC model documents and take account of all recent legislative changes.

Review of Payments and VAT

Given the relatively low volume of payments during the year, we have checked detail of all to ensure that the following criteria have been 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 has 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.

In reviewing the responses to our Governance Questionnaire, we duly note the controls in place over the processing of trader invoices and approval for release of payments with no significant concerns identified. We note that the cheque number and the initials of two members authorising the payment are recorded manually on the invoice, but that Members decided no longer to use a certification stamp. We were able to agree all the payments to the signed minutes, in some cases the minute number was recorded on the invoice next to the Members' signatures. It would be good practice if the minute number was recorded on the invoice in every case.

Conclusions

We are pleased to report that all payments in the year are appropriately supported by either a trade invoice or till receipt, that VAT has been identified, where applicable, for recovery from HMRC.

Assessment and Management of Risk

We have previously recorded that the Council had developed a detailed document identifying potential areas of risk which was subject to annual review, update where appropriate, and re-adoption. We note that the document was last reviewed and re-adopted (during 2016-17) at the May 2016 Council meeting: however, we have seen no indication of any subsequent review or the document's formal re-adoption during 2017-18. Both the Council's Financial Regulations and the national Governance & Accountability Manual (G&AM) require this to be done annually.

The Council's insurance cover is arranged with Zurich Municipal. We have reviewed the renewal schedule noting that Employer's and Public Liability cover are each in place at £10 million, with Hirer's liability at £2 million and Fidelity Guarantee cover at £25,000. We note the Council has considered its insurance and determined it is appropriate to retain hirer's liability. As indicated previously, Fidelity Guarantee cover remains below the former Audit Commission guideline of a half-year's precept plus year-end cash balances (which would be circa £39,000).

Conclusions and recommendation

The Council needs to ensure its risk assessment is up to date by formally reviewing it and re-adopting it at least once annually as required by the G&AM.

R3. The Council should review and re-adopt its risk assessment annually, as required by the Governance and Accountability Manual.

Budgetary Control and Reserves

The Council's minutes, together with the detailed supporting papers provided to the Council, indicate that Members have given due and proper consideration to the budget requirement for 2018-19 formally agreeing and adopting the year's precept at £20,000. In setting the precept due account was taken of the level of retained reserves. In line with best practice, the actual value if the adopted precept and level of reserves should be minuted formally when setting future years' budgets. (The minute setting the 2018-19 precept, reference 182.17-7, recorded only the increase in the precept). We are pleased to note that the budget report is on the website.

We note the Council undertook a review of expenditure against budget recording reasons for variances.

Conclusions and recommendation

No significant areas of concern arise in this area, although we the actual value of the annual precept should be minuted formally when approved: that for 2018-19 should be minuted retrospectively at the next full Council meeting.

R4. The Council should explicitly minute the value of the adopted annual precept, together with the value of individual reserves to be carried over to the next financial year.

Review of Income

The Council receives, in addition to the annual precept, income from allotment rents, small amounts of bank interest, VAT refunds, occasional grants and donations. As indicated in the opening section of this report, we have reviewed the bank statements for the year, agreeing them to the cashbook entries in full.

We have examined the allotment rents agreeing remittances to receipts, also agreeing other receipts and grants to supporting documentation. In the case of CIL monies of £4,912 we agreed the amounts to information on Wiltshire Council's website.

Conclusions

We are pleased to report that no issues arose in this area of our work 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 in connection with her 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

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HM Revenues and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions.

The Council only employed the Clerk during the year. No tax liability arose in the year: we have, however, checked the calculation and payment over to HMRC of an amount of National Insurance in October 2017.

We note the Clerk left the employment of the Council in October 2017, with the role temporarily covered by a Councillor, although the Clerk has subsequently assisted in preparing the year-end Accounts on a freelance basis.

Conclusions

No significant issues have been identified in this area this year.

Asset Registers

The aforementioned G&AM requires all councils to maintain a record of all assets owned. We have reviewed the Council's asset register confirming that detail of assets acquired during the year had been added and that the value recorded was at purchase cost net of VAT. We have also agreed the asset register value to the draft AGAR information in Section 2 Box 9.

Conclusions

No significant issues have been identified in this area this year.

Investments and Loans

The Council does not hold any long-term investments or loans warranting disclosure in the Annual Return.

Statement of Accounts and AGAR

Recent local government legislation is aimed at increasing the awareness of the public and openness in the management of public finances. The AGAR provides the basis for the external auditor's certificate, and, given the limited information contained in Section 2 of the Return, it is considered good practice for councils to continue to produce a statement setting out in more detail the Council's financial transactions during any given year. We are pleased to note that the former Clerk has again prepared an additional detailed Statement of Accounts, the content of which we have agreed to the underlying cashbook, subject to the issue relating to the timing of cheque entries in the cashbook.

We have also verified the content of the financial information presented in Section 2 of the Annual Return by reference to the cashbook and other supporting records, noting the need for a minor adjustment in relation to the above referenced cheque detail included in the wrong year (Recommendation R1 above refers).

Conclusions

No additional issues have arisen in this area warranting formal comment. We have duly signed-off the Internal Audit Certificate in the 2017-18 AGAR assigning positive assurances in each relevant area with the one required amendment to section 2 detail as identified in the preceding sections of this report.

Action Plan

Rec. Recommendation No.	Response
Maintenance of Accounting Records & Bank Reconciliations	
R1 The cheque for £237,60 should be included in the 2018-19 cashbook and Accounts not -he records for 2017-18. Consequently, non-pay expenditure (AGAR Section 2, Box 6) for 2017-18 should be reduced by £237,60 to £25,690 with a corresponding increase in the year-end balance reported at Boxes 7 & 8 to £28,889.	
Review of Corporate Governance	
R2 The Finance Committee should review Financial Regulations annually as specified in the Council's adopted Standing Orders, ensuring that they reflect detail in the latest NALC model documents and take account of all recent legislative changes.	
Assessment and Management of Risk	
R3 The Council should review and re-adopt its risk assessment annually, as required by the Governance and Accountability Manual.	
Budgetary Controls and Reserves	
R4 The Council should explicitly minute the value of the adopted annual precept, together with the value of individual reserves to be carried over to the next financial year.	