

Great Bedwyn Parish Council

Internal Audit Report 2018-19

Chris Hackett

*For and on behalf of
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 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.

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. In view of the 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 Annual Return 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 operates effective control systems that help ensure that transactions are accurately reflected in the Statement of Accounts / Annual Return.

On the basis of work undertaken on the Council's records this year, we have signed off the Internal Audit Certificate in the Annual Return assigning positive assurance. We have made a recommendation to strengthen controls over the collection of allotment rents. We note also the Council will have to record in the Annual Governance Statement section of the Annual Return that it did not fully meet the requirements last year to advertise the audit.

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 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 Annual Return information at Section 2, together with periodic budget performance information for presentation to Members.

We have ensured the accurate recording of the 2017-18 closing cashbook balances as opening entries for 2018-19.

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.

Conclusion

The accounts reconcile to the bank and no anomalous entries are noted.

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 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 minutes for meetings held in 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 no decisions have been made or are being considered that might result in ultra vires expenditure being incurred.

We note that Financial Regulations have been subjected to review and re-adoption in May 2019.

Conclusions and recommendation

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

Review of Payments and VAT

Given the relatively low volume of payments during the year, we have checked detail of all payments 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.

We note that the minute reference number is recorded in the cash book against the payment and the on the invoice itself and that members are signing the invoices, also that all payments are recorded in the minutes which are published on the Council's website.

We note a VAT reclaim has been made during the year and that this is reconciled to the cash book.

Conclusion

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, wherever applicable, for recovery from HMRC.

Assessment and Management of Risk

We note the Council undertook a risk assessment which was approved by Council on 14th March 2019. This comprised a risk assessment of:

- Open spaces/assets/highways
- Allotments; and
- Financial and management risks.

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 £10million respectively and Fidelity Guarantee cover at £50,000.

We note the play areas are inspected by ROSPA and the outcome reported in the minutes.

Conclusion

The Council has arrangements for managing risks and is maintaining its risk register.

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 2019-20 formally agreeing and adopting the year's precept at £18,000. In setting the precept due account was had of the level of reserves. We note that reserves are high representing some three years spending at 2018/19 levels but that this reflected the receipt of CIL monies and underspends.

We note the Council receives regular finance reports and monitors its spending during the year.

Conclusion

No areas of concern arise in this area, the Council considered its budget for the prior year, its reserves and spending plans when setting its 2019/20 budget.

Review of Income

The Council receives, in addition to the annual precept, income from allotment rents, small amounts of bank interest, VAT refunds and 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 collected during the year. We note the Council changed the rent period during the year therefore the cash collected represented the period to October 2019. The amount due for the eighteen-month period totalled £1,462.50, however the amount collected and paid into the bank was £1,390, leaving arrears of £72.50 or 5%. It is not possible to identify which plots the arrears relate to based on the available information as some of the banking's are for more than one plot without the amount paid in being analysed.

We have agreed the precept to the Cash Book and the bank. We have agreed other receipts and grants to supporting documentation.

Conclusions and recommendation

The Council has arrangements for collecting income, although controls over the collection of allotment rents require strengthening.

R1. The detailed allotments record should link to the amount actually paid into the bank, for example by recording the individual rent in the paying-in book to provide an audit trail.

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

The Council did not employ a Clerk for most of the financial year, engaging the new Clerk from February 1st 2019. There are no salary payments in the 2018/19 accounts, the Clerk claiming her February and March pay in the following financial year.

Asset Registers

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We reviewed the Council's asset register confirming assets acquired during the year had been added and that the value recorded was at purchase cost ignoring VAT. We agreed the asset register to the draft Annual Return.

Conclusions

No 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 Annual Return

The Accounts and Audit Regulations, as amended periodically, require all councils to prepare annually a Statement of Accounts, which is now in the form of the Annual Governance and Accountability Return at Section 2, which is, together with the Annual Governance Statement at Section 1, subject to independent external audit examination and certification.

We have agreed the draft accounts summarised in Section 2 of the Annual Return to the underlying records.

Conclusion

We have duly signed-off the Internal Audit Certificate in the 2018-19 Annual Return assigning positive assurances in each relevant area.

Action Plan

Rec. Recommendation No.	Response
Review of income	
R1 The detailed allotments record should link to the amount actually paid into the bank, for example by recording the individual rent in the paying-in book to provide an audit trail.	