
Gorefield Parish Council

Internal Audit Report 2015-16

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for 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 Return. Auditing Solutions Ltd has provided this service to Gorefield Parish Council since 2010-11.

This report sets out the work undertaken in relation to the 2015-16 financial year, during our visit on 18th April 2016, together with the matters arising and recommendations for action, where appropriate.

Internal Audit Approach

In undertaking our review for the year, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts/Annual Return. We have employed a combination of selective sampling techniques (where appropriate) and 100% detailed checks in a number of key areas in order to gain sufficient assurance that the Council's financial and regulatory systems and controls are appropriate and fit for the purposes intended.

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 'Annual 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 programme of work we have undertaken, the Council has maintained adequate and effective internal control arrangements during the year. However, we have identified some areas where we consider that further improvements in the overall internal control environment can be made.

Details of the matters identified during the course of this year's audit visit are set out in the body of the report, with the recommendations arising further summarised in the appended Action Plan. We ask that members consider the content of this report and respond in due course to the recommendations set out in the Action Plan, indicating, where appropriate, the actions to be taken and the likely timescale for their implementation.

We have completed and signed the 'Annual Internal Audit Report' in the 2015-16 Annual Return, having concluded that, in all significant respects, the control objectives set out in that report were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

Maintenance of Accounting Records & Bank Reconciliations

Our objective in this area has been to ensure that accounting records are being maintained accurately and on a timely basis, and that no anomalous entries appear in cashbooks or financial ledgers.

The accounting records have again been maintained using the Sage accounting software, which we consider is appropriate for a council of Gorefield's size. The Council operates three bank accounts with Barclays Bank plc; the main community (current) account and two instant access saver accounts.

In order to ensure the appropriateness and accuracy of the recording of transactions, we have:

- Confirmed that there was an accurate roll forward of prior year closing balances to 2015-16;
- Verified that the accounts remain "in balance" at the financial year-end;
- Ensured that an appropriate cost centre and chart of accounts is in place to facilitate reporting of the Council's budgetary performance;
- Checked and agreed detail of the full year's financial transactions on all of the bank accounts, by reference to supporting bank statements; and
- Verified the bank reconciliation detail on each bank account as at 31st March 2016, also ensuring the accurate disclosure of the combined balances in the year-end Accounts.
- Confirmed that the financial system is backed-up periodically using a memory stick.

Conclusion

No matters have arisen from this area of our review that require formal comment or recommendation.

Review of Corporate Governance

Our objective is to ensure that the Council has a robust regulatory framework in place; that Council 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.

From our audit review, we noted the following:

- We have reviewed the minutes of the Council meetings held during 2015-16, the principal aim being to consider whether or not any issues exist that may have an adverse effect on the Council's financial stability in the short, medium or longer term, also that there is no indication that the Council may either be considering or have taken decisions that might result in ultra vires expenditure being incurred. There are no matters arising from our review;
- The Standing Orders and Financial Regulations in use are as adopted by the Council in June 2014, which took into account guidance from NALC. We understand that these will

be revisited in due course to ensure they remain in line with current legislative and regulatory requirements; and

- All payments continue to be approved by members and recorded in the minutes. We have suggested to the Clerk that the detail recorded in the minutes is slightly extended, to include cheque numbers and, where applicable, the VAT element.

Conclusions and recommendations

We consider that, in overall terms, adequate and effective corporate governance arrangements are in place. However, we have identified two areas where further action is required.

Firstly, we noted that a number of donations to organisations during the year have subsequently been recorded in the detailed accounts as having been made using the Council's powers under s137 of the Local Government Act 1972. Where this power is used, any payments must be specifically authorised by resolution, which should be highlighted in the agenda papers and the subsequent minutes. It should also be noted that s137 must only be relied upon in instances where other specific powers are not available - for example, the donation to FACT may well have been covered by the Council's powers under the Transport Act 1985.

Secondly, we would draw the Council's attention to its responsibilities under the 'Transparency Code for Smaller Authorities', which has applied from 1 July 2015. Under this mandatory Code, all parish councils with income and expenditure below £25,000 per annum must publish certain information on its website annually (starting with information relating to the 2014/15 financial year) and must also ensure that minutes, agendas and papers for all formal meetings are published within a certain timescale. Whilst some of the information required by the Code is already being published, the Council must ensure that it fully complies going forward.

R1 Where the Council seeks to rely on s137 of the Local Government Act 1972 to make donations, these payments must be specifically authorised by resolution. It is also important for the Council to establish whether other statutory powers can be relied on, before resorting to the use of s137.

R2 The Council must ensure that it complies with the reporting requirements of the Transparency Code for Smaller Authorities (a summary of the detailed requirements is attached to this report).

Review of Payments

Our aim here is to ensure that:

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Payments are supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and/or an acknowledgement of receipt, where no other form of invoice is available;
- Any discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense codes have been applied to invoices when processed; and

- VAT has been appropriately identified and coded to the control account for periodic recovery.

We reviewed the procedures in place for receiving invoices; checking their authenticity, accurate detail recording, processing by the Clerk and formal approval for payment by members. We are pleased to note that, in line with good practice, invoices are evidenced as reviewed by the cheque signatories.

We reviewed all payments made during the year to ensure that the above criteria were met. We also confirmed the accuracy of the VAT reclaim made at the end of the year.

Conclusion

No matters have arisen from our review of payments this year that require formal comment or recommendation.

Assessment and Management of Risk

Our aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and operational/health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks in order to minimise the opportunity for their coming to fruition. We have noted that:

- An appropriate Financial Risk Assessment is in place, which was reviewed and re-adopted by the Council in July 2015.
- Other risk assessments are undertaken, in particular ROSPA reviews of play equipment and reported to the Council for appropriate action to be taken;
- A new insurance policy has been entered into with Zurich, covering the period to 31st May 2018. The policy includes a Public Liability limit of £12 million and Employer's Liability of £10 million, with Fidelity Guarantee cover at £150,000, all of which we consider appropriate for the Council's present requirements.

Conclusion

No matters have arisen from this area of our review that require formal comment or recommendation.

Precept Determination and Budgetary Control

In this area of our coverage, we aim to ensure that the Council has sound procedures in place for the determination of its annual budget and also for monitoring and managing available resources throughout the financial year.

At its January 2016 meeting, the Council approved and adopted a precept for 2016-17 of £14,377 and will also receive Council Tax Support Grant of £1,123 from the District Council.

We also note that, throughout the year, members are provided with detail of the balances held on its accounts and of receipts and payments. During 2015-16, the only reporting of financial performance against the budget has been at the time the 2016-17 precept was considered. This

approach is not unreasonable, given the size of the Council, but we have suggested to the Clerk that quarterly budget monitoring reports could be produced in future, as had been the case in previous years.

Overall reserves as at 31st March 2016 stand at just over £20,300. Whilst this is high in comparison to the annual expenditure, we are aware that the reserves are being built up over a period of time to cover expenditure required on improvements to street lighting, which is estimated to cost around £18,000.

Conclusion

No matters have arisen from this area of our review that require formal comment or recommendation.

Review of Income

The Council receives limited income other than the annual precept, primarily from the Concurrent Functions and other miscellaneous grants, allotment rentals and bank interest, together with recovered VAT.

We have checked and agreed in full all receipt cashbook transactions to the relevant bank statements and other supporting documentation, also ensuring that all allotment rents have been paid by reference to the Clerk's register.

We also noted that allotment rents have been formally reviewed by the Council during the year, as required by the financial regulations, with the decision being made that the current rent level is appropriate.

Conclusion

No matters have arisen from this area of our review that require formal comment or recommendation.

Petty Cash Account / Clerk's Expenses

No petty cash account is operated by the Council, the clerk reclaiming any out-of-pocket expenses periodically, which are processed in the same way as supplier 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 Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions.

The Clerk is the only employee. We have reviewed the half-yearly payments made to her, and confirmed that they agree to approved salary; we have also verified detail of the tax deductions applied to her salary.

Conclusion

No matters have arisen from this area of our review that require formal comment or recommendation

Asset Register / Inventory

The reporting arrangements for assets in the Annual Return require councils to report the value of each asset at purchase cost or, where that value is unknown, at a suitable proxy. The value of individual assets should not change from one year to another, with the only changes being the inclusion of new assets purchased or removal of assets disposed of.

As previously, a simple asset register has been maintained, which records assets at their original cost. We have confirmed with the Clerk that there have been no additions to or disposals of assets in the financial year and therefore the value of assets to be reported in the Annual Return remains at £383,500.

Conclusion

No matters have arisen from this area of our review that require formal comment or recommendation

Investments and Loans

The Council has no specific investments in place, nor any loans repayable by or to it.

Statement of Accounts and Annual Return

As in previous years, the Clerk has prepared a detailed Statement of Accounts on a Receipts and Payments basis. We have examined the detail in the Statement of Accounts and agreed the detail therein to the year-end Trial Balance produced by the Sage software. There were no matters arising. At the time of our visit the statutory accounts in Section 2 of the Annual Return had still to be completed.

Conclusions

No matters have arisen from this area of our review that require formal comment or recommendation. We look forward to receiving a copy of the completed Annual Return, (sections 1 and 2) once it has been approved by the Council.

On the basis of the work undertaken during the course of our review for the year, we have completed and signed the Annual Internal Audit Report in the Annual Return, assigning positive assurances in all areas of internal control.

Action Plan

Rec. No.	Recommendation	Response
Review of Corporate Governance		
R1	Where the Council seeks to rely on s137 of the Local Government Act 1972 to make donations, these payments must be specifically authorised by resolution. It is also important for the Council to establish whether other statutory powers can be relied on, before resorting to the use of s137.	
R2	The Council must ensure that it complies with the reporting requirements of the Transparency Code for Smaller Authorities (a summary of the detailed requirements is attached to this report).	

Appendix A: Transparency Code for Smaller Authorities

Parish councils, internal drainage boards, charter trustees and port health authorities with an annual turnover not exceeding £25,000 should publish:

Information title	Information which should be published
All items of expenditure above £100	<p>Annual publication no later than 1 July in the year immediately following the accounting year to which it relates.</p> <p>Publish details of each individual item of expenditure.</p> <p>Copies of all books, deeds, contracts, bills, vouchers, receipts and other related documents do not need to be published but should remain available for inspection.</p> <p>For each individual item of expenditure the following information must be published:</p> <ol style="list-style-type: none"> a. date the expenditure was incurred, b. summary of the purpose of the expenditure, c. amount, and d. Value Added Tax that cannot be recovered.
End of year accounts	<p>Annual publication no later than 1 July in the year immediately following the accounting year to which it relates.</p> <p>Publish signed statement of accounts according to the format included in the Annual Return form. It should be accompanied by:</p> <ol style="list-style-type: none"> a. a copy of the bank reconciliation for the relevant financial year, b. an explanation of any significant variances (e.g. more than 10-15 percent) in the statement of accounts for the relevant year and previous year, and c. an explanation of any differences between ‘balances carried forward’ and ‘total cash and short term investments’, if applicable.
Annual governance statement	<p>Annual publication no later than 1 July in the year immediately following the accounting year to which it relates.</p> <p>Publish signed annual governance statement according to the format included in the Annual Return form.</p> <p>Explain any negative responses to governance statements, including how any weaknesses will be addressed.</p>
Internal audit report	<p>Annual publication no later than 1 July in the year immediately following the accounting year to which it relates.</p> <p>Publish signed internal audit report according to the format included in the Annual Return form.</p> <p>Explain any negative response to the internal controls objectives, including how any weaknesses will be addressed. Explain any ‘not covered’ responses to internal controls objectives.</p>

Information title	Information which should be published
List of councillor or member responsibilities	Annual publication of councillor or member responsibilities no later than 1 July in the year immediately following the accounting year to which it relates, including: <ul style="list-style-type: none"> a) names of all councillors or members, b) committee or board membership and function (if Chairman or Vice-Chairman), and c) representation on external local public bodies (if nominated to represent the authority or board).
Location of public land and building assets	Annual publication no later than 1 July in the year immediately following the accounting year to which it relates. Parish councils and port health authorities to publish details of all public land and building assets – either in its full asset and liabilities register or as an edited version. Internal drainage boards to only publish details of registered land and buildings that have a market value and appear in Fixed Assets Register. The following information must be published: <ul style="list-style-type: none"> a) description (what it is, including size/acreage), b) location (address⁷ or description of location), c) owner / custodian, e.g. the authority manages the land or asset on behalf of a local charity, d) date of acquisition (if known), e) cost of acquisition (or proxy value), and f) present use.
Minutes, agendas and papers of formal meetings	Publication of draft minutes from all formal meetings not later than one month after the meeting has taken place. Publication of meeting agendas and associated meeting papers not later than three clear days before the meeting to which they relate is taking place.