
Gorefield 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).

This report sets out the work undertaken in relation to the 2017-18 financial year, in advance of and during our visit on 23rd April 2018.

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 mis-recording or misrepresentation in the year-end Statement of Accounts/AGAR. We have employed a combination of selective sampling techniques (where appropriate) and 100% detailed checks in several key areas 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 is also designed to facilitate our completion of the 'Annual Internal Audit Report' as part of the AGAR process, which requires independent assurance over ten internal control objectives

Overall Conclusion

Based on the programme of work undertaken, we are pleased to again conclude that the Council has maintained adequate and effective internal control arrangements during the year with one or two issues identified that warrant action to ensure that the Council's governance framework is in line with extant legislation and that the clerk is paid appropriately in line with the terms of her employment contract. We are also pleased to record that positive action has been taken to address issues raised in last year's report.

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' for 2017-18 assigning positive assurances in each relevant area.

Detailed report

Maintenance of Accounting Records & Bank Reconciliations

Our objective in this area is 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 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.

To ensure the appropriateness and accuracy of the recording of transactions, we have:

- Ensured the accurate roll forward of prior year closing balances to 2017-18;
- 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 accounts, by reference to supporting bank statements; and
- Verified the bank reconciliation detail on each account as at 31st March 2018, also ensuring the accurate disclosure of the combined balances in the year-end Accounts/AGAR.

Conclusion

We are again pleased to report that no issues arise in this area this year, having noted members decision to retain all three bank accounts following our suggestion last year that one of the deposit accounts be closed.

Review of Corporate Governance

Our objective is to ensure that the Council has robust corporate governance arrangements in place; that Council meetings are conducted in accordance with the adopted Standing Orders and that, as far as we may reasonably ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. Consequently, we have: -

- Reviewed the Council's minutes for the 2017-18 to ensure that no issues exist that may have an adverse effect on the Council's financial stability in the short, medium or longer term, or that give us concern that the Council may either be considering, or have taken, decisions that might result in ultra vires expenditure being incurred;
- Noted that the Standing Orders were further reviewed and re-adopted by Members in November 2017 to reflect the latest model guidance produced by NALC: NALC has recently issued a further updated version of the document taking account of both the 2015 changes in Public Contracts Regulations and the GDPR requirements which become operative on 25th May 2018;
- Noted that all payments continue to be approved by members and recorded in the minutes with appropriate disclosure of their detail; and

- Checked to ensure that the Council is complying with the disclosure requirements of the “Transparency Code for smaller authorities”, to which we have made previous reference.

We thank the Chairman for completing our Corporate Governance Questionnaire, which provides us with further assurance as to the soundness of the Council’s overall governance arrangements

Conclusions and recommendations

We consider that the Council should undertake a further review of its Standing Orders bringing them into line with the latest NALC model, to ensure that they are compliant with and reflect current legislative requirements. We also consider that, whilst it may be the value recorded in the NALC model SOs and Financial Regulations, a tender value of £25,000 is potentially excessive for a council the size of Gorefield: with an annual spend generally below £15,000, we consider a more appropriate value for formal tender action would be between £5,000 and £10,000.

- R1. *The Council should undertake a further review of its Standing Orders bringing them into line with the recently published NALC model document to ensure current legislation is addressed and incorporated accordingly.*
- R2. *The Council should also consider setting a more realistic value for formal tender action, ideally in line with that indicated in the body of the report.*

Review of Expenditure

Our objective in this area is to ensure that:

- Council resources are released in accordance with the Council’s approved procedures and budgets;
- Appropriate documentation supports payments, 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 have again reviewed the procedures in place for processing and settlement of trader invoices, together with ensuring members formally approve all payments and are pleased to note that, in line with good practice, invoices continue to be evidenced as reviewed by the cheque signatories.

We have reviewed all payments processed during the year and are pleased to note compliance with the above criteria. We have also verified the accuracy of the year’s VAT reclaim.

Conclusions

No matters have arisen from our review of payments this year warranting 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 to minimise the opportunity for their coming to fruition. We note that:

- A Financial Risk Assessment is in place, which was reviewed and re-adopted by the Council at the March 2018 meeting;
- Other risk assessments are undertaken with ROSPA reviews of play equipment, and are reported to Council for consideration and approval of remedial action;
- Zurich insures the Council: the policy affords cover for Public and Employer's Liability cover in place at £12 million and £10 million respectively, together with Fidelity Guarantee cover at £150,000, all of which we consider appropriate for the Council's present requirements.

Conclusions

No issues arise in this area this year warranting formal comment or recommendation.

Precept Determination and Budgetary Control

Our objective here is to ensure that the Council has robust procedures in place for identifying and approving its future budgetary requirements and the level of precept to be drawn down from the District Council, and that an effective reporting and monitoring process is in place. We also consider whether the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

At the January 2018 Council meeting, members approved and adopted a precept for 2018-19 of £16,000. We are again pleased to note that members were provided with a schedule showing the budget and spend to January 2018 to help inform the budget / precept deliberations.

We note that members are also provided with details of the balances held on its accounts and monthly receipts and payments during the year, together with a half-yearly report on performance against budget.

Overall reserves as at 31st March 2018 have increased to £40,500 (£30,500 as at 31st March 2017). As indicated previously, we note that the Council is retaining this high level of reserves to cover anticipated expenditure on planned improvements to street lighting, estimated as up to £20,000.

Conclusions

No significant issues arise in this area this year, although as previously, we suggest that a specific earmarked reserve be determined and identified in the Accounts to cover the planned streetlighting expenditure.

Review of Income

Our objective is to confirm that appropriate arrangements are in place to identify all income due to the Council, to arrange for its collection by way of invoicing or direct settlement and for its prompt banking. We also aim to ensure that fees and charges are levied in accordance with the Council's approved scales, where appropriate.

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 the year's receipts as recorded in the cashbook to the relevant bank statements and other relevant supporting documentation such as the allotment register maintained by the Clerk.

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.

Review of Staff Salaries

In examining the Council's payroll function, our objective is to confirm that extant legislation is being appropriately observed and the requirements of HM Revenue and Customs (HMRC) as regards the deduction and payment over of income tax and NI contributions.

We have reviewed payments made to the Clerk during the year with a view to ensuring they correspond to her approved salary; in examining the monthly salary payments we have noted that she is paid at half-yearly intervals. We also noted that, despite her employment contract indicating that her salary is payable in accordance with the nationally agreed NJC salary structure on a specific salary point, she is being paid at the scale rate applying from 1st January 2015. National agreement was reached on pay increases for 2016-2018 payable in two instalments due on 1st April 2016 and 2017; Consequently, the clerk has been underpaid since 1st April 2016: we suggest that the arrears of pay due to her are calculated and paid over with her next half yearly salary. She and members should also be aware of a further two-stage pay settlement applying has been reached effective from 1st April 2018 and 2019: consequently, members and the clerk should ensure that the appropriate adjustment is made to her salary with effect from 1st April 2018.

Finally, in this area, we have also verified detail of any tax and NI deductions to be applied.

Conclusions and recommendation

The arrears of pay due to the clerk dating from 1st April 2016 should be determined and paid over with her next salary instalment, together with the pay award applying from 1st April 2018.

R3. Members should ensure that the clerk's pay is being calculated in accordance with her employment contract and that national pay awards are applied appropriately in line with that contract.

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 cost price, net of VAT. We note the acquisition of a defibrillator and cabinet during 2017-18, detail of which has been added to the asset register, with the value at Section 2, Box 9 of the AGAR for 2017-18 duly increased.

Conclusion

No matters have arisen from this area of our review that require a 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 AGAR

As previously, the Clerk has prepared a detailed Statement of Accounts on a Receipts and Payments basis for presentation to members, detail of which we have agreed to the supporting Sage software.

Conclusions

In general, the controls in this area were found to be adequate and operating effectively. Based on the work undertaken during our review for the year, we have completed and signed the Annual Internal Audit Report, assigning positive assurances in all relevant areas.

Action Plan

Rec. No.	Recommendation	Response
Review of Corporate Governance		
R1	The Council should undertake a further review of its Standing Orders bringing them into line with the recently published NALC model document to ensure current legislation is addressed and incorporated accordingly.	
R2	The Council should also consider setting a more realistic value for formal tender action, ideally in line with that indicated in the body of the report.	
Review of Staff Salaries		
R3	Members should ensure that the clerk's pay is being calculated in accordance with her employment contract and that national pay awards are applied appropriately in line with that contract.	