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# **Canewdon Parish Council**

*Internal Audit Report 2016-17*

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*Prepared by John Watson*

*Auditing Solutions Ltd*

## **Background and Scope**

The Accounts and Audit Arrangements introduced from 1<sup>st</sup> April 2001 require all Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. The Council implemented the process at its outset using a local person and appointed us, at Auditing Solutions Ltd, subsequently to provide the service to the Council from 2007-08

This report sets out the work undertaken in relation to 2016-17 year, and which was undertaken in our office on 3<sup>rd</sup> June 2017.

## **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 misrecording or misrepresentation in the year-end Statement of Accounts/Annual Return. Our programme of cover has again been designed to afford appropriate assurance that the Council's financial systems remain 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 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 undertaken during our audit this year, the Council continues to maintain more than adequate and effective internal control arrangements. We are pleased to acknowledge the quality of records maintained by the Clerk and thank her for her assistance, which has ensured the smooth progress of our review process.

We have completed and signed the 'Annual Internal Audit Report' in the year's 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.

# Detailed Report

## Accounting Records and Bank Reconciliation

The Clerk has maintained the accounts using bespoke accounting software in place of the spreadsheet based system previously used

Our objective has been to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. We have to date:

- Checked and agreed the opening balance with the 2015-16 closing Statement of Accounts as per the spreadsheet and the certified Annual Return detail;
- Ensured that a full and effective cost centre and nominal account coding structure is in place and is appropriate for purpose;
- Ensured that the accounts remain 'in balance' at the end of the period under review;
- Checked and agreed details of transactions in the Barclays Current Account cashbook to bank statement detail for the period 20<sup>th</sup> September to 19<sup>th</sup> December 2016 and for the period 10<sup>th</sup> January to 31<sup>st</sup> March 2017, noting that all were complete and accurate and had been prepared in a timely manner;
- Checked that bank reconciliations are prepared routinely each month utilising the appropriate software facility;
- Verified the accuracy of detail in the bank reconciliations for the Barclays Current Account as at 19<sup>th</sup> December 2016 and as at 31<sup>st</sup> March 2017 ensuring that no long-standing uncleared cheques or other anomalous entries exist; and
- Verified the closing balances on the Barclays Premium Account and on the NS & I Investment account as at 31<sup>st</sup> March 2017

### Conclusions

*We are pleased to report that there are no issues arising in this area of our review warranting formal comment or recommendation. We have ensured the accuracy of the closing balances declared in the Annual Return.*

## 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. We have in this regard:-

- Noted that both Standing Orders and Financial Regulations were reviewed and adopted at the Council meeting held on 4<sup>th</sup> May 2016;

- Examined the minutes of meetings of the Full Council for the year to identify whether or not any issues exist that may have an adverse effect on the Council's future financial stability with no issues arising; and
- Noted that the General Power of Competence was reaffirmed at the May 2015 Council meeting.

### ***Conclusions***

***We are pleased to report that there are no issues arising in this area of our review warranting formal comment or recommendation.***

## **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;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The current expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified for periodic recovery.

Due to the relatively low number of annual transactions and the sound controls in place, we have examined the months of May, June, November and December 2016 in full to ensure compliance with the above criteria and are pleased to record that no issues have been identified with all the criteria duly met.

We are pleased to note that the Clerk continues to submit manual VAT reclaims to HMR&C on a quarterly basis and have checked and agreed the March 2017 submission to the underlying cashbooks and control account balance.

### ***Conclusions***

***We are pleased to report that there are no issues arising in this area of our review 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 health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks identified and to minimise the opportunity for their coming to fruition. We have:

- Noted that a comprehensive review of the risk register was undertaken and approved by Council at its meeting on 4<sup>th</sup> May 2016: and

- Examined the Council's current insurance policy with Hiscox, effective to 31<sup>st</sup> May 2017, to ensure that appropriate cover is in place, noting that Public and Employers Liability cover both stand at £10m with Fidelity Guarantee cover at £500,000.

### **Conclusions**

*We are pleased to report that there are no issues arising in this area of our review warranting formal comment or recommendation.*

## **Budgetary Control and Reserves**

We aim in this area of our work to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount to be precepted on the District Council, that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans. To meet this objective, we have:

- Noted from our review of the minutes that members continue to be provided with regular management accounting information, based on reports generated from the Alpha accounting system;
- Noted that a detailed budget exercise was undertaken and approved by Council at their meeting on 4<sup>th</sup> January 2017;
- Further noted that the precept has been agreed at £36,700 plus Council Tax Support Grant of £1,396;
- Considered the appropriateness of the level of general reserves to meet the Council's ongoing revenue spending requirements noting that reserves at the year-end total £40,317 of which £21,375 are earmarked reserves; the balance of general reserves at £18,942 equates to just under three months' revenue expenditure, which is below the CIPFA guideline of between three and six months' expenditure; and
- Reviewed the year-end budget outturn for any significant unexplained variances with none in evidence.

### **Conclusions**

*We are pleased to report that there are no issues arising in this area of our review warranting formal comment or recommendation.*

## **Review of Income**

The Council has only limited sources of income in addition to the annual precept, primarily allotment rentals and recovered VAT.

We have verified detail of income received in the year and banked by reference to the cashbook and other supporting documentation. We have also examined the allotment

records to ensure that all income due has been identified, invoiced and recovered within an appropriate time scale.

### ***Conclusions***

***We are pleased to report that there are no issues arising in this area of our review warranting formal comment or recommendation.***

## **Petty Cash Account**

The Council does not operate a formal petty cash account, any “out-of-pocket expenses” incurred by the Clerk or members being reimbursed each month through the routine payment process, samples of which we have checked and agreed for the year as noted earlier in this report.

### ***Conclusions***

***We are pleased to report that there are no issues arising in this area of our review warranting formal comment or recommendation.***

## **Salaries and Wages**

In examining the Council’s payroll function, we aim to confirm that existing legislation is being appropriately observed as regards adherence to the requirements of HM Revenue and Customs (HMR&C) with regard to the deduction and payment over of income tax and NI contributions. To meet this objective, we have:

- Reviewed the Council’s payroll preparation procedures noting that this is outsourced to an independent payroll provider;
- Checked to ensure that the Council has reviewed and approved appropriate pay scales for staff noting that the Clerk has received an increase in respect of the level 4 qualification as from 1<sup>st</sup> April 2017;
- Noted that the litter operative/handyman who was employed from 1<sup>st</sup> May 2016 resigned at the end of August and a replacement is currently being sought;
- Checked and agreed the amounts paid to individuals by reference to the approved pay rates, examining payments made in October 2016;
- Ensured that PAYE & NIC deductions have been made accurately by reference to the HMRC Basic PAYE Tools software; and
- Ensured that the appropriate month’s deductions and contributions have been paid over to HMR&C in a timely manner;

### ***Conclusions***

***We are pleased to report that there are no issues arising in this area of our review warranting formal comment or recommendation.***

## **Asset Registers**

The Governance and Accountability Manual requires that all Councils establish and maintain inventories / asset registers of buildings, land, plant and equipment, etc. owned by them.

We are pleased to note that a formal asset register is in existence and that the appropriate computation methodology of values to be reported in the Annual Return has been followed; we note that the Asset Register has been increased in the year under review by the addition of the skate park at a cost of £45,000.

### ***Conclusions***

***We are pleased to report that there are no issues arising in this area of our review warranting formal comment or recommendation.***

## **Investments and Loans**

Our objectives here are to ensure that the Council is “investing” surplus funds, be they held temporarily or on a longer term basis in appropriate banking and investment accounts; that an appropriate investment policy is in place; that the Council is obtaining the best rate of return on any such investments made; that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

We have confirmed that the Council holds no long-term investments requiring disclosure in the Statement of Accounts, nor are there any loans with external bodies in existence repayable by or to it.

## **Statement of Accounts and Annual Return**

The 1996 Accounts and Audit Regulations required all Councils to prepare annually a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council’s financial affairs.

We have reviewed the Statement of Accounts and Annual Return detail prepared by the Clerk, as generated from the accounting software with no obvious errors or anomalies in the detailed content

### ***Conclusions***

***No issues have been identified in relation to the verification of detail in the Statement of Accounts and Annual Return this year.***

***On the basis of our detailed work during the course of the year on the Council’s systems of financial control and content of the detailed Statement of Accounts and that summarised detail set out in the Annual Return, we have signed off the Internal Audit Report of the Return assigning positive assurances in each relevant area.***

### ***Conclusions***

***No issues have been identified in this area of our review and, on the basis of the work completed on the Council's Accounts and other relevant supporting documentation this year, we have duly "signed off" the Internal Audit Certificate within the Annual Return assigning positive assurances in each relevant category.***