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# **Canewdon Parish Council**

*Internal Audit Report 2017-18*

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## **Background and Scope**

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). The Council implemented the process at its outset first using a local person and then appointed us, at Auditing Solutions Ltd, to provide the service to the Council from 2007-08

This report sets out the work undertaken in relation to the 2017-18 financial year, which took place on 16<sup>th</sup> 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 misrecording or misrepresentation in the year-end Statement of Accounts / Annual Return. Our programme of cover is designed to afford appropriate assurance that the Council has appropriate and robust financial systems in place that 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' as part of the Council's Annual Governance and Accountability Return (AGAR) process, 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 AGAR, 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 continued to maintain the accounts using the bespoke Alpha accounting software as used in the previous year.

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 2016-17 closing Statement of Accounts as per 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 Community Account cashbook and the Barclays Business Premium Account cashbook for the year, 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 Community Account and the Barclays Business Premium Account as at 31<sup>st</sup> March 2018 ensuring that no long-standing uncleared cheques or other anomalous entries exist; and
- Verified the closing balances on the on the NS & I Investment account as at 31<sup>st</sup> March 2018.

### *Conclusions*

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

## Review of Corporate Governance

Our objective is to ensure that the Council has robust corporate governance documentation and processes in place, and that, as far as we may reasonably be expected to ascertain (as we do not attend Council or Committee meetings) all meetings are conducted in accordance with the adopted Standing Orders and no actions of a potentially unlawful nature have been or are being considered for implementation. Our objective is to ensure that the Council has a robust regulatory framework in place; We have in this regard:-

- Noted that both Standing Orders and Financial Regulations were reviewed and adopted at the Council meeting held on 10<sup>th</sup> May 2017;
- 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.

We note that the procurement limits in Standing Orders differ from those limits specified in Financial Regulations. We suggest that these be brought into line at the next review

### ***Conclusions***

***We are pleased to report that there are no issues arising in this area of our review process 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 June and July 2017 and the months of February and March 2018 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 reclaims for the quarters to 30<sup>th</sup> June, 30<sup>th</sup> September and 31<sup>st</sup> December 2017 to the underlying cashbooks and control account balance with no issues arising.

### ***Conclusions***

***We are pleased to report that there are no issues arising in this area of our review process 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 10<sup>th</sup> May 2017; and
- Examined the Council's current insurance policy with AXA, effective to 31<sup>st</sup> May 2018, 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.
- Noted that the Council Play Area is inspected on a weekly basis by the Clerk with an annual inspection being carried out by a RoSPA certified company.

### ***Conclusions***

***We are pleased to report that there are no issues arising in this area of our review process 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 quarterly 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 3<sup>rd</sup> January 2018;
- Further noted that the precept has been agreed at £39,111 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 £46,400 of which £22,750 are earmarked reserves; the balance of general reserves at £23,650 equates to just over seven months' revenue expenditure, which is above 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 process warranting formal comment or recommendation.*

## **Review of Income**

The Council has limited sources of income being the annual precept, allotment rentals, the occasional grant, bank interest 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 for the year to ensure that all income due has been identified, invoiced and recovered within an appropriate time scale.

We note that Council have not reviewed the allotment rentals during the year and remind Members of the requirement that all fees are reviewed on an annual basis.

### **Conclusions**

*We are pleased to report that there are no issues arising in this area of our review process 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**

*In view of the above we are pleased to report that there are no issues arising in this area of our review process 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 (HMRC) 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 position of litter operative/handyman has been filled with the appropriate employment process being undertaken by Council;

- Checked and agreed the amounts paid to individuals by reference to the approved pay rates, examining payments made in December 2017;
- Ensured that the appropriate payments have been made to the Essex Pension Fund;
- 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 process 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 previously noted that the Asset Register has been increased in the year to 31<sup>st</sup> March 2017 by the addition of the skate park at a cost of £45,000.

We further note that there have not been any additions to the Asset Register in the current year

### ***Conclusions***

***We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation. We have ensured the accurate disclosure of Assets in the AGAR.***

## **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 AGAR**

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 AGAR detail prepared by the Clerk, as generated from the accounting software with no obvious errors or anomalies in the detailed content

### ***Conclusions***

***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 AGAR, we have signed off the Internal Audit Report of the AGAR assigning positive assurances in each relevant area.***