
Horningsham Parish Council

Internal Audit Report 2017-18

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For and on behalf of
Auditing Solutions Ltd

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 Return.

This report sets out the work undertaken in relation to the 2017-18 financial year, which took place on 01st June 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, based on the satisfactory completion of our programme of work for the year, the Council has again maintained adequate and effective internal control arrangements. We are pleased to report that there are no issues arising this year warranting formal comment or recommendation.

We take this opportunity 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 'Internal Audit Report', having concluded that the control objectives set out in that Report have been achieved within the financial year to a standard adequate to meet the needs of the Council.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Clerk has maintained the Council's accounting records using Excel spreadsheets, which we consider adequate given the low volume of annual transactions. For the first half of the 2017-18 financial year, the council maintained a single bank account with Lloyds Bank, however, members had previously resolved to close the account with Lloyds Bank and to transfer the funds, upon closure, to a new account with the Unity Trust Bank. This finally took place in December 2017. We have therefore agreed the cashbook detail to the relevant Lloyds Bank & Unity Trust Bank statements for the full financial year, also checking and agreeing the year-end cashbook / bank statement reconciliation ensuring that no anomalous items exist, such as out-of-date cheques.

Conclusion

There are no issues which arise in this area of our review warranting formal comment or recommendation.

Review of Corporate Governance

We have examined the content of the Standing Orders (SOs) and Financial Regulations (FRs), both of which have been reviewed and were re-adopted formally at the meeting of the Full Council on 18th May 2017. We have examined the content of the extant SOs and FRs and consider them appropriate for the Council's present needs.

We have completed our review the Council's minutes for the current year to determine whether any issues exist that may have either a legal or financial impact on the Council and its future financial stability and are pleased to record that no such items appear to exist at present.

We also noted that the General Power of Competence was readopted at the meeting of the Full Council on the 18th May 2017.

Finally, in this area of our review, we note that the council intends to build a play area in FY 2018-19 and has set aside an appropriate level of funds in an EMR to commence this project.

Conclusion

There are no issues which arise in this area of our review warranting formal comment or recommendation.

Review of Payments

We have examined the controls in place over the approval of payments for release and consider them sound.

We have reviewed all payments made during the year to ensure that the following criteria were met: -

- Payments were supported by a trade invoice or acknowledgement of receipt;
- VAT has been calculated correctly and is recovered at appropriate intervals;

- The members at a Council meeting approved each payment;
- There was clear evidence of approval by members on each payment document;
- Payments have been correctly analysed in preparation of the year-end Statement of Accounts; and,
- Section 137 payments have been identified in the cashbook and are within the Council's spending limit.

Conclusion

There are no issues which arise in this area of our review warranting formal comment or recommendation.

Assessment and Management of Risk

We are pleased to note that the Council reviewed and formally re-adopted its Risk Assessment documentation for the financial year.

The Council's insurance cover for FY 2017-18 was provided by Hiscox Insurers. We have examined the insurance schedule for 2017-18 with Public and Employer's Liability cover both in place at £10 million and Fidelity Guarantee cover at £500,000 all of which we consider appropriate for the Council's present needs. We note that the Council has placed its insurance with Axa for FY 2018-19.

Conclusion

There are no issues which arise in this area of our review warranting formal comment or recommendation.

Budgetary Control and Reserves

The Council's minutes, together with the supporting papers provided to Council indicate that members undertook a robust Budget setting and Precept determination process, and considered and approved the 2018-19 Budget and Precept, setting the latter at £13,865.40 in the January 2018 meeting of the Full Council. We are also pleased to note that Councillors continue to receive regular income and expenditure reports along with the bank balance detail at each meeting.

Overall reserves as at 31st March 2017 have increased to £29,307 (£25,501 as at 31st March 2017): we are pleased to note the adoption of a formal reserves policy during the financial year with identified earmarked reserves of £21,401 held at 31st March 201,8 including a "Play Area equipment EMR" of £17,000, which equates approximately six and a half months' revenue spending at the 2017-18 level and sits comfortably within the generally recognised CIPFA guideline of between three and six months' revenue spending when the additional expenditure requirements, as noted in the Council's FY 2018-19 budget for the Play Area equipment are taken into consideration.

Conclusion

There are no issues which arise in this area of our review warranting formal comment or recommendation.

Review of Income

The Council receives only limited income, mainly from the annual precept, Council Tax Support Grant and VAT recovered. We have reviewed the year's bank statements and other available supporting documentation agreeing detail to the cashbooks.

Conclusion

There are no issues which arise in this area of our review warranting formal comment or recommendation.

Petty Cash Account

The Council's policy is not to maintain any form of cash float with any out-of-pocket expenses incurred reclaimed and paid in line with normal trader payment procedures. Subsequently, there are no issues which arise in this area of our review warranting formal comment or recommendation.

Salaries and Wages

We have, as in previous years, checked the basis of the clerk's salary payments for the year, together with relevant tax deductions, which are paid over to HMRC accordingly with no issues identified. We note that the Clerk's salary is now paid electronically; the council's banking facilities having been transferred to the Unity Trust Bank during the financial year.

Conclusion

There are no issues which arise in this area of our review warranting formal comment or recommendation.

Fixed Asset Register

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We are pleased to note compliance with this requirement, the Clerk maintaining an appropriate register with values identified both at cost price, or where unknown, at the best approximation thereto, together with the annually uplifted insurance value to assist with budgetary planning for future replacements.

We have noted that the Asset Register has been reviewed appropriately during FY 2017/18 and that the unaltered value £1,931 has been correctly reported in the year's Annual Return at Box 9 of Section 2.

Conclusion

There are no issues which arise in this area of our review warranting formal comment or recommendation.

Investments and Loans

The Council has no funds in investments and has no third-party loans either payable or receivable. Subsequently, there are no issues which arise in this area of our review warranting formal comment or recommendation. However, we take this opportunity to remind members of the new Statutory Guidance on Local Government Investments from the 1st April 2018-19 strongly encourages all parish councils to develop an investment strategy, providing their total investments exceed or are expected to exceed £10,000 at any time during the financial year.

Statement of Accounts and Annual Governance and Accountability 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.

As part of our review process, we have examined the Council's procedures in relation to the identification of detail for inclusion in Section 2 of the Return, which is produced using Microsoft Excel spreadsheets, and used by the Clerk & RFO to provide the accounting statements. We have agreed detail therein to Section 2 of the 2017-18 Annual Governance and Accountability Return.

Conclusions

We are pleased to record that no issues arise in this area and, on the basis of the work undertaken during the course of our review for the year, we have "signed off" the Internal Audit Report in the year's Annual Governance and Accountability Return assigning positive assurances in all areas.