

**Harrietsham Parish Council
Report of the RFO
May 2016**

Internal Audit Report 2015-2016

Each year, the council's affairs are subject to an external, independent audit to ensure that all is well in the way we run ourselves.

This year, as in previous years, the report has been received, and confirms that Harrietsham Parish Council is conducting both its administrative and financial affairs entirely satisfactorily, with no matters arising.

The full audit report may be found below.

Recommendation That the internal audit report for 2015-2016 be noted.

Harrietsham Parish Council

Internal Audit Report 2015-16: Final update

John Watson

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 Harrietsham Parish/Town Council since 2001-02.

This report sets out the work undertaken in relation to the 2015-16 financial year, 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. We also acknowledge the positive action taken to address the issue raised in 2014-15.

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

Maintenance of Accounting Records & Bank Reconciliations

The Council's RFO has continued to maintain the cashbook in Excel spreadsheet format: we consider this provides an effective means of identifying all transactions during the course of the financial year.

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in the cashbooks or bank account detail. We have consequently: -

- Agreed the opening balance detail with that in the 2014-15 Statement of Accounts and certified Annual Return;
- Ensured that receipts and payments have been analysed appropriately in the cashbooks;
- Verified the accurate recording and detail of transactions in the cashbooks for the full year, agreeing detail to the relevant bank statements;
- Checked and agreed the bank reconciliation for the year to 31st March 2016; and
- Verified the accurate disclosure of balances in the detailed Statement of Accounts and Annual Return prepared by the RFO.

Conclusions

We are pleased to report that no issues have arisen from our examination of the cashbooks, bank statements and reconciliations prepared during the year or at the financial year-end.

Review of Corporate Governance

Our objective is to ensure that the Council has a robust regulatory framework in place, that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and that no actions of a potentially unlawful nature have been or are being considered for implementation.

- We have previously acknowledged that Council has adopted the NALC model Standing Orders and Financial Regulations at meetings in September 2014 and February 2015 respectively and we have noted that Council have applied the models' procurement/tender limit of £60,000 in both the Standing Orders and Financial Regulations;
- We are now pleased to note that, following our recommendation in the 2014-15 Internal Audit Report, Council have agreed that the tendering limit in both documents should take account of changes in EU legislation affecting procurement arrangements for, inter alia, this level of local government and will be incorporating these changes in the Standing Orders and Financial Regulations currently under review.
- We also acknowledge the work undertaken to review and update both the financial risk assessments and asset register during the course of the financial year; and

- We have again examined minutes of the full Council and Finance and General Purposes Committee for the current financial year to ensure that the Council is not considering or taken decisions resulting in potentially unlawful nature and that meetings have taken place within the Council's adopted regulatory framework.

Conclusions and recommendation

No issues have arisen from our work in this area warranting formal comment or recommendation.

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and approved 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;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct analysis of expenditure in the cashbook has been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

In view of the relatively low number of annual transactions and ease of identification in the file of payments processed, we have examined all payments made during the year to ensure that the above criteria were met.

Conclusions

No issues have arisen from our work in this area 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 in order to minimise the opportunity for their coming to fruition.

- We are again pleased to acknowledge the positive action taken to review and re-adopt the risk assessments documentation in March 2016; and
- We have examined the Council's insurance policy with Aviva to ensure that appropriate cover is in place and that members have reviewed its content and determined that cover in each area is appropriate to the Council's needs.

Conclusions

No matters arise in this area this year: we shall continue to monitor the risk assessment process at future visits to ensure that members continue to review and ensure that assessments are reviewed, updated and re-adopted annually, as now mandatorily required by the Practitioner's Guide – Governance and Accountability Manual”.

Budgetary Control and Reserves

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and the level of precept to be drawn down from the District Council: also, that an effective reporting and monitoring process is in place. We also aim to ensure that 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.

We note that the precept and budgetary requirements for 2016-17 have been formally discussed by full Council at their meeting on 27th January 2016 resulting in the precept being determined at £56,111, together with the Council Tax Support Grant of £2,787, also noting that members continue to receive regular budget reports during the course of the year.

We have also examined the level of year-end general reserve of £51,778 which equates to over seven months' expenditure and remains comfortably close to the guideline of between three and six months' revenue spending.

Conclusions

No issues have arisen from our work in this area warranting formal comment or recommendation in this area this year.

Review of Income

Income arises from a variety of sources, including the precept, medical centre rental and service recharges, bank interest and Village Hall loan interest, allotment rentals, grants and miscellaneous service provisions.

We have checked detail of income received during the year to the available underlying documentation with no concerns identified.

Conclusions

No issues have arisen from our work in this area warranting formal comment or recommendation.

Petty Cash Account

The Council does not operate a petty cash account.

Salaries and Wages

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed and the requirements of HM Revenues and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme are being met. To meet that objective, we have: -

- Ensured that the Council has reviewed and approved pay scales for staff annually;
- Checked and verified the amounts paid to the Clerk and RFO in February 2016;
- Agreed the amounts paid to play scheme helpers for one week in the summer by reference to the supporting records and pay slips; and
- Ensured that tax and NI deductions have been made applying the appropriate tax code and NI Table for these two members of staff.

Conclusions

No issues have arisen from our work in this area warranting formal comment or recommendation.

Asset Registers

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We have checked and agreed the detail, as recorded in the Council's Asset Register, noting that it has been prepared using purchase cost values or, where that value is unknown, at the previous year's Return level, also uplifted or decreased to reflect the acquisition or disposal of assets.

Conclusions

No issues arise this year and we have duly verified the accuracy of the value reported in the year's Annual Return.

Investments and Loans

The Council holds no long-term investments, although the council has a National Westminster Business Reserve Account, with only minimal interest available currently. We have agreed all transactions for the financial year to bank statements and the other supporting documentation, also ensuring that interest receivable has been appropriately accounted for.

The Council has two residual loans recoverable from the Village Hall Committee. We have verified detail of the amounts recoverable and recorded on the detailed Income and Expenditure Account and Balance Sheet prepared by the RFO for presentation to Council.

Conclusions

No issues arise from our examination of the Council's invested funds and loans issued to the Village Hall and repaid annually.

Statement of Accounts and Annual Return

The RFO has prepared a detailed Statement of Accounts in line with the recommended format. We have reviewed and agreed the detail in the Accounts to the underlying records with no matters arising warranting comment this year.

Conclusions

On the basis of work undertaken during the course of our review process this year, we have signed off the Internal Audit Report of the Annual Return assigning positive assurances in each relevant area.