
Hannington Parish Council

Internal Audit Report 2015-16

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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 the Council since the outset of the “Limited assurance” audit arrangements. This report sets out the work undertaken in relation to the 2015-16 financial year.

Internal Audit Approach

In undertaking the review for the year, we have 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 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 satisfactory conclusion of our annual programme of work, the Council has again maintained adequate and effective internal control arrangements.

We have completed and signed the ‘Internal Audit Report’ in the year’s Annual Return, having concluded that, in all significant respects, excluding that relating to risk assessments, 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. As the Council had not formally finalised its assessment of risk within the financial year and, consequently, adopted the registers, we are duty bound to record a “NO” response in that respect.

Detailed Report

Maintenance of Accounting Records and Bank Reconciliations

The cashbook has been maintained in manuscript format, which, given the limited number of transactions is accepted as adequate for the needs of the Council, although, as indicated in last year's report, we suggest that a simple spreadsheet record be maintained with appropriate columnar analysis of income and expenditure across the various categories with VAT and the net payments recorded appropriately. We have checked and agreed the detailed entries therein for the year to the Council's bank statements, also verifying the accuracy of data in the year-end bank reconciliation, noting that no long-standing un-presented cheques or other anomalous entries exist.

Conclusion

We are pleased to report that there are no issues arising in this area warranting formal comment or recommendation, although we suggest that the cashbooks be maintained in spreadsheet rather than manuscript format.

Review of Corporate Governance

Our objective here 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, as far as we are able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. To meet that objective, we have:

- Reviewed the Council's minutes for the year in order to ensure that no issues affecting the Council's financial stability either in the short, medium or long term exist, also that no legal issues are apparent whereby the Council may either be considering or have taken decisions that might result in ultra vires expenditure being incurred;
- Noted that Standing Orders (SOs) and Financial Regulations (FRs) were both reviewed and re-adopted by the Council in January 2016: we have reviewed the content of both documents noting a minor inconsistency in the implied value for formal tender action with the former suggesting a level of £1,000, whilst the latter indicate a level of £500.

We draw the Clerk and member's attention to the change in EU legislation effective from 1st April 2015 that now requires, inter alia, all councils to formally advertise any contracts with a value in excess of £25,000 on the Government's "Contract Finder" website. Whilst we appreciate that the Council is probably unlikely to be directly affected by this in the near future, we have provided the Clerk with copies of recent NALC guidance on the topic. Additionally, in response to these changes, NALC has published, in January 2016, revised FRs reflecting the potential impact of this legislative change.

We have provided the Clerk with electronic copies of the NALC procurement guidance and updated FRs.

Conclusions and recommendations

Whilst we are pleased to record that no significant issues exist at present affecting our sign-off of the year's Annual Return, we consider that the Council's extant governance documentation should be further reviewed and brought fully into line with the NALC model documents, also ensuring that a consistent value is recorded and applied for formal tender action and suggest that the value be set at £1,000.

- R1. *The Council should undertake a further review of its Standing Orders and Financial Regulations, brining both into line with the latest NALC model documents.*
- R2. *The revised documents should be consistent in identifying the value at which formal tender action is required.*

Review of Expenditure & VAT

Given the relatively low number of payments made during the course of the financial year, we have examined all 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 Council at a Council meeting approved each payment;
- 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.

We note that in accordance with the detail in the 2014-15 cashbook, a VAT reclaim for £588.58 was submitted to and repaid by HMRC in November 2015. We have seen no evidence that a VAT reclaim has, as yet, been prepared covering 2015-16 expenditure and suggest that, if not already actioned, a reclaim be prepared and submitted as soon as is practicable.

Conclusions and recommendations

We are pleased to report that no significant issues have been identified in this area, although, in line with best practice, we suggest that consideration be given to the acquisition of a rubber certification stamp to be affixed to each invoice. Ideally, the stamp should provide for the clerk's initials confirming receipt of goods and services and the arithmetic accuracy of the invoice; the initials of both members approving the payment; the date and cheque / unique reference number of the payment being processed.

- R3. *In line with best practice, a suitably designed rubber stamp should be acquired and be affixed to each invoice / payment document evidencing the effective review and approval for payment.*

Assessment and Management of Risk

The Council prepared a Risk Assessment document during 2012-13 which was adopted by the Council at the meeting on 18th September 2012. We note that the clerk and members have undertaken further work in this respect during 2015-16 with members wishing to undertake a “Risk Management and Skills Audit” before finally adopting the draft revised risk register.

As a consequence of this ongoing work, the register has not been subjected to formal approval during the course of the financial year, contrary to the now mandatory requirement (“Governance and Accountability Manual - The Practitioner’s Guide” 2014 edition) that financial risk assessments must be the subject of annual review and formally minuted adoption. Consequently, we are obliged to assign a negative response to this facet of the Internal Audit Report in the year’s Annual Return, although we acknowledge the existence of a generally acceptable register of assessed risks.

Insurance cover has been provided by Maven in 2015-16: examination of the policy’s content indicates that an appropriate level of cover exists for the Council, with Employer’s and Public Liability cover both in place a t£10 million and Fidelity Guarantee at £50,000.

Conclusions and recommendation

As indicated above, the Council is now mandatorily required to undertake an annual re-assessment of potential risks, formally reviewing and adopting the resultant documentation at least once annually in accordance with the requirements of the “Governance and Accountability Manual - The Practitioner’s Guide”.

R4. The Council must ensure that it complies with the Governance and Accountability Manual reviewing and adopting the risk assessments at least once annually.

Budgetary Control & Reserves

The Council’s minutes, together with the supporting papers provided to Council, indicate that members have considered and agreed the 2016-17 budget and formally minuted the 2016-17 precept at the meeting in January 2016, formally adopting an increased precept of £5,500 including the Council Tax Support Grant payable by the parent Council.

We are again pleased to note the reporting of actual spending against approved budget during the course of the financial year.

We have reviewed and assessed the appropriateness of the Council’s retained reserves to meet ongoing spending requirements, noting that the year-end balance at 31st March 2016 has reduced to £6,070 (£10,202 as at 31st March 2015), primarily as a result of utilising the £5,000 bequest received during 2014-15: the total fund balance equates to approximately eleven months’ revenue expenditure at 2015-16 levels and is considered appropriate for the Council’s ongoing spending requirements.

Conclusions

No issues arise in this area of our review this year warranting formal comment, although, as indicated last year, we suggest that members continue to closely monitor the value of funds held and ensure that they do not increase to an unrealistic level.

Review of Income

The Council receives income from limited sources, primarily by way of the annual precept and grant, plus periodically recovered VAT and occasional grants. We have verified detail of these amounts as part of our cashbook review referred to previously in this report.

Conclusions

No matters arise in this area of our review.

Petty Cash Account

The Council does not operate a petty cash account. Any out-of-pocket expenses incurred by the clerk in connection with her work for the council are reclaimed periodically and paid by separate cheques, which are minuted and approved as with ordinary trade invoices.

Salaries and Wages

We reviewed the employment contract of the current clerk last year noting that the hourly pay rate is not commensurate with any point on the NJC Scale. We have checked the basis of the payments made to the clerk during the year, also noting that tax is being deducted appropriately and paid over to HMRC accordingly, also noting that an appropriate tax return has been submitted at the year-end.

Conclusions

No issues arise 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 are again pleased to note compliance with this requirement, the Clerk maintaining a suitable register. Extant guidance now requires that asset values are reported in the Annual Return at purchase cost or, where that value is unknown at the previous year's Return level uplifted or decreased to reflect the acquisition of any new assets or disposals.

The asset value disclosed in the Annual Return at Section 2, Box 9 matches that in the Asset Register (£18,694) and remains as reported in the 2014-15 Return with no new assets acquired in the year.

Conclusions

The Council has continued to comply with requirements to maintain a fixed asset register and to ensure all assets detailed on it are recorded appropriately in the year's Annual Return.

Investments and Loans

The Council has no funds in investments and there are no loans in existence.

Statement of Accounts and Annual Return

We have examined and agreed the content of the Statement of Accounts and Annual Return for 2015-16 to the underlying records maintained by the Council with no issues arising.

Conclusions

We are pleased to record that no issues have arisen from our review of the Accounts or Annual Return. Consequently, we have "signed off" the Internal Audit Report in the Annual Return assigning positive assurances in each relevant area, excepting in relation to risk assessments, as detailed earlier in this report.

Rec. No.	Recommendation	Response
Review of Corporate Governance		
R1	The Council should undertake a further review of its Standing Orders and Financial Regulations, bringing both into line with the latest NALC model documents.	
R2	The revised documents should be consistent in identifying the value at which formal tender action is required.	
Review of Expenditure		
R3	In line with best practice, a suitably designed rubber stamp should be acquired and be affixed to each invoice / payment document evidencing the effective review and approval for payment.	
Assessment and Risk Management		
R4	The Council must ensure that it complies with the Governance and Accountability Manual reviewing and adopting the risk assessments at least once annually.	