
Uplyme Parish Council

Internal Audit Report 2014-15

Stuart J Pollard

*Director
Auditing Solutions Ltd*

Background and Scope

The Accounts and Audit Arrangements introduced from 1st April 2001 require all Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. The internal auditor has then to provide the Council with a certificate covering a number of key areas associated with the transactions and management of the Council's affairs.

The Council previously used a local contractor to undertake the review process. We at Auditing Solutions Ltd were contacted at the close of 2013 and asked to provide a quote for provision of the service to the Council and were subsequently appointed in 2013-14; this report reflect the outcomes of the work undertaken on the 2014-15 accounting and other records during the course of our visit to the Clerk's home on 9th June 2015.

Internal Audit approach

In undertaking our review, we have again paid due regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts and Annual Return. Due to the relatively low number of transactions during the year, we have not only examined and considered the robustness of the financial procedures and controls in place, but also employed direct substantive testing procedures to the majority of systems for the financial year.

This report summarises our conclusions on each of the key areas set out in the Internal Audit report contained within the Annual Return. We are pleased to record that no major concerns have been identified with the operative controls and procedures in place: we are also pleased to acknowledge the positive actions taken to address issues raised in our 2013-14 report with most addressed appropriately. One or two remain "live" and we have, consequently, reiterated them in the following detailed report.

Any resultant recommendations are, as previously, further summarised in the appended Action Plan: we would ask that, following due consideration by the Council, we be provided with responses to the recommendations arising.

Overall Conclusion

We are again pleased to conclude that the Council continues to operate effective control systems and again commend the clerk on the quality of documentation maintained and provided for our examination in support of our certification of the Annual Return.

On the basis of the overall effectiveness of controls in each area, we have duly signed off the Internal Audit Certificate in the Annual Return assigning positive assurances in all relevant areas this year.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers.

The Council operates a current and deposit (interest earning) account with HSBC. Detail of transactions on these accounts is recorded in Excel Workbooks with separate worksheets for receipts and payments, together with additional spreadsheets maintained to provide routine monthly financial information to members. In view of the relatively low number of annual transactions we consider this to be an appropriate medium to maintain the financial records, which feed into the year-end Accounts and Annual Return detail, as prepared by the clerk.

Due to their relatively low volume, we have checked and agreed detail of all transactions in the spreadsheet cashbooks to bank statements, invoices and other supporting records for the financial year.

We are pleased to note that bank reconciliations are undertaken monthly, also noting that, in response to our recommendation last year, they are now subject to formal scrutiny and sign-off by an independent councillor.

In addition to confirming the accuracy of detail in the spreadsheets, we have also verified the accuracy of detail in the year-end bank reconciliation and accurate disclosure of closing balances in the year-end Accounts and, consequently, the Annual Return.

Last year we discussed the back-up arrangements of data maintained on the Clerk's / Council's PC and considered them to be sound with no significant changes occurring subsequently.

Conclusions and recommendation

We are pleased to report that no issues have been identified with the data recorded in the spread sheet cashbooks. However, we note that, despite the clerk's best efforts no real progress note has been made in recovering the tax deducted on interest earned, which continues to be paid net of basic rate income tax.

R1. The Clerk should continue her efforts to change the basis of interest paid by HSBC on the bank accounts, also endeavouring to recover previous tax deducted in error by the bank.

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, as far as we are able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation.

We are pleased to note that both the Standing Orders (SOs) and Financial Regulations (FRs) have been reviewed during 2014-15 and been re-adopted formally by Council.

We note that the FRs now refer to a limit of £1,000 above which three formal quotations are to be sought: they do not, however, identify a limit for formal tender action, which we suggest should be set between at around £10,000 given the size of the Council and its annual budget.

We have examined the Council's minutes covering the financial year to ensure that no issues either exist currently or are developing that may have an adverse affect on the Council's financial standing: we have also sought to ensure that no actions are planned or have taken place that may be of an ultra vires nature and place the Council at risk of criticism or possible financial penalty.

We are pleased to note that the Council has given due consideration to its budgetary and precept requirements for 2015-16 formally approving and adopting a precept of £20,247 at the January 2015 meeting. We also note that a number of grants and donations are approved for payment annually as part of the budget process, although the specific powers being relied on for approval of such payments again does not appear to have been considered or formally minuted: best practice suggests that, in order that members may demonstrate the effective discharge of their fiduciary responsibilities, the powers relied for approval of such payments should be minuted formally.

Conclusions and recommendations

No significant issues have arisen in this area, although, as indicated in last year's report, the Council should ensure that the powers relied on for the approval of grants and donations are considered and minuted accordingly.

We also wish to thank and acknowledge the completion of our governance questionnaire, detail of which we have reviewed and consider provides appropriate further assurance on the soundness of the Council's governance arrangements.

R2. The Council should ensure that the extant Standing Orders and Financial Regulations are further reviewed and updated to identify a value above which formal tender action is required for any major schemes.

R3. The minutes approving the payment of grants and donations should identify the specific powers relied on.

Review of Payments & VAT

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, 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 has been applied in the spread sheet cashbook to invoices when processed; and
- VAT has been appropriately identified and analysed appropriately in the cashbooks for annual recovery.

Due to their relatively low volume, we have checked the documentation supporting each payment in the year and are pleased to acknowledge compliance with the above criteria.

We note that an appropriate VAT return has been prepared covering the financial year and have verified the content accordingly to the cashbook record of payments in the year.

Conclusions

We are pleased to report that no issues warranting formal comment or recommendation have been identified in this area this year.

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 note that the play areas are subjected to routine scrutiny in accordance with RoSPA guidelines. We are also pleased to note that the Council approved the acquisition of the LCRS risk management software and note the positive action taken by the clerk to complete the relevant assessments.

However, we note that these have still to be presented to and adopted formally by the Council and draw attention to the updated and now mandatory requirements for risk assessments to be reviewed and adopted formally by the Council at least once annually (2014 edition of the Governance and Accountability Manual – “The Practitioner’s Guide” refers).

We have examined the current year’s insurance schedule in place with Aviva and consider that, with Public and Employer Liability cover in place at £10 million, Fidelity Guarantee cover set at £150,000 and Business Interruption cover set at £10,000, appropriate cover is in place to cover the Council’s current requirements. We also note that the Council’s assets, excluding those with a nominal value of £1 each per the asset register, are also covered by the insurance schedule.

Conclusions

We are pleased to record that no issues have arisen this year warranting formal recommendation, although, as above, we remind the Clerk and Council of the need to comply with the extant requirement to review and adopt formally the financial risk assessment documentation at least once annually.

Budgetary Control and Reserves

In this area of our coverage, we aim to ensure that the Council has sound procedures in place for the determination of its annual budget and also for monitoring and managing available resources throughout the financial year.

The Council's minutes and supporting documentation provide effective confirmation that the 2015-16 budget and precept has been formally considered, discussed, approved and adopted by the Council with the precept for the year adopted formally as £20,247. We are again pleased to note that the clerk provides members with regular, generally quarterly, detail of budgetary performance throughout the financial year. We have reviewed the year-end position with no significant or unanticipated / unexplained variance in existence.

We note that the cumulative end of year balance (31st March 2015) stands virtually unchanged from the prior year-end at £23,346 (£23,488 previously), with the General Reserve balance reduced to £3,691 (£6,558 at prior year-end). The latter equates to less than two months' revenue spending, which is below the CiPFA recommended guideline of between three and six months' revenue spending and will need to be monitored closely to ensure that sufficient funds are retained to meet ongoing revenues spending, although we acknowledge that, should the urgent need arise some of the earmarked funds could revert back to the General Reserve.

We note that members consider the level of retained earmarked reserves when determining the budget, although no formal approval is given to the level of these rolled forward at the close of each financial year.

Conclusions and recommendation

No significant issues arise in this area of our review warranting formal comment or recommendation.

Review of Income

We aim in this area of our review to ensure that the Council has robust systems in place to ensure the identification of all income to which it is entitled and for its subsequent recovery, banking and appropriate recording in the Council's financial records.

The Council has a limited range of income sources, primarily the annual precept, very limited bank interest, occasional grants, interment and associated fees and the annual VAT recovery. We have, as indicated above, agreed detail of income banked and interest received, as recorded in the cashbook by reference to bank statements, and update our year-on-year comparative analysis of income levels with no issues of concern identified.

We have examined the Burial register for the year, ensuring that all appropriate supporting documentation is in place including undertakers' applications, burial and cremation certificates and that the appropriate fees have been charged, recovered and banked in a timely manner.

Conclusions

No issues arise from our examination of the Council's income control procedures and records.

Petty Cash Account

The Council does not normally operate a petty cash account, any miscellaneous expenses incurred by the clerk being reclaimed each month.

Salaries and wages

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HM Revenues and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions.

The 1996 Employment Act requires that all employees are provided with a formal contract of employment. We are pleased to note that an updated employment contract has been prepared and signed for the clerk and have ensured that the monthly salary payments during the year are in accord with that detail.

We have also verified the accurate deduction of tax and NI contributions for the year by reference to the relevant HMRC Basic PAYE Tools software with no issues identified.

Conclusions

No issues have been identified in this area this year.

Asset Registers

The Governance and Accountability Manual requires all councils to develop and maintain a register of their asset stock. We are pleased to acknowledge the existence of an appropriate register, which now includes detail of assets at the prior year values, as required by the extant Annual Return reporting guidelines.

We noted one minor error on the register where the value of the Salt Spreader had been increased in line with the uplifted insurance value and have drawn this to the attention of the clerk so that the correct prior year value is included when completing the year's Annual Return detail.

Conclusions

No issues arise in this area warranting formal comment or recommendation following agreement with the clerk of the value of assets to be recorded in the current year's Annual Return (£49,943).

Investments and Loans

The Council previously held a War Stock 3.5% Bond with a £100 book value. We note that this has been redeemed during 2014-15 with the capital value duly brought to account as income and recorded as such in the Annual Return at Box 3, whilst being removed from the Asset value at Box 9.

Conclusions

The Council has no loans in place either repayable by or to it: consequently, no issues arise in this area this year.

Statement of Accounts and Annual Return

We are pleased to note that the clerk has again prepared a detailed Statement of Accounts for 2014-15 in Income and Expenditure format for presentation to members. These, as previously, form the basis of detail to be entered at Section 1 of the Annual Return and we have checked and agreed all that detail accordingly to the underlying accounting records.

Conclusions

No issues arise warranting formal comment in this area. On the basis of the work undertaken on the Council's accounting and other records for the year, we have duly signed off the Internal Audit Certificate at Section 4 of the Annual Return assigning positive assurances in all areas.

Rec. No.	Recommendation	Response
Review of Accounting Arrangements and Bank Reconciliations		
R1	The Clerk should continue her efforts to change the basis of interest paid by HSBC on the bank accounts, also endeavouring to recover previous tax deducted in error by the bank.	
Review of Corporate Governance		
R2	The Council should ensure that the extant Standing Orders and Financial Regulations are further reviewed and updated to identify a value above which formal tender action is required for any major schemes.	
R3	The minutes approving the payment of grants and donations should identify the specific powers relied on.	