

Crudwell Parish Council

Internal Audit Report 2018-19

Chris Hackett

*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. The results of our work and a summary of the Council's accounts is reported each year in the Annual Governance and Accountability Return (AGAR).

This report records the work undertaken during our visit to the Clerk's home on 13th June 2019 to review the 2018/19 accounts. It also records the Council's responses to the recommendations that we made in respect of 2017/18.

Internal Audit Approach

In undertaking the 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 / AGAR. 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' which is part of the AGAR process and requires independent assurance over ten internal control objectives.

Overall Conclusion

We have concluded that, based on the satisfactory completion of our annual programme of work, the Council has maintained satisfactory and effective internal control arrangements.

We have completed and signed the 'Internal Audit Report' in the year's AGAR assigning positive assurance in the specified control areas.

We wish to thank the Clerk for her assistance in completing our work and commend her on the clarity of the records. We request this report is presented to Members.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Clerk has maintained the year's accounting records in spreadsheet format, detail of which has been used to feed into the year-end financial report at Section 2 of the AGAR. Given their low volume, we have verified detail of all transactions for the year, as recorded in the cashbook to the Lloyds' current and deposit bank account statements, also verifying the accuracy of the brought forward balances as at 1st April 2018 to the prior year' closing balances.

We have checked and verified the year-end bank reconciliations, also ensuring the accurate disclosure of the year-end balances in the AGAR at Section 2, Box 8.

Conclusions

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

Review of Corporate Governance

We have examined the Council minutes for the financial year to determine, as far as we are reasonably able to ascertain, whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability, also that the Council has not undertaken nor is planning to undertake any work or decisions that may result in ultra vires spending. We are pleased to record that no such issues appear to exist at present or to be developing.

We thank the Chairperson for completing our Governance questionnaire, which serves to further clarify the Council's operative controls and afford us with further confirmation of their general soundness.

We note the Council reviewed and adopted its Standing Orders in September 2018 basing these on the NALC model. We note the Financial Regulations were adopted in January 2016, but that the tendering limit is consistent between both documents.

Conclusions

No issues have arisen from this area of our review, although we note it would be good practice to re-adopt the financial Regulations. We record responses to the recommendations made last year in the action plan.

Review of Expenditure and VAT

Our objective in this area is to ensure that the Council has appropriate arrangements in place to monitor and control the incurring of expenditure and for the approval and authorisation of payment release. We have reviewed the procedures in place and consider them sound affording a good level of assurance of members' involvement in the approval of expenditure.

In view of their low volume, 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;
- Payment documentation is appropriately annotated to evidence member review and authorisation;
- The Council minutes formally indicate approval of each payment;
- Payments have been correctly analysed in posting to the accounting records and thence in preparation of the year-end Statement of Accounts; and
- VAT has been calculated correctly and is recovered at appropriate intervals.

Conclusions

We are pleased to record that the above criteria were met appropriately. We also note that VAT reclaims are prepared and submitted periodically to HMRC for recovery during the year: we have viewed the content of the two reclaims prepared and submitted during 2018-19 and compared them to the cash book. We reiterate our prior year suggestion that reclaims be prepared and submitted at half yearly intervals at the end of September and March.

Assessment and Management of Risk

The Governance and Accountability Manual requires all councils to consider, develop and adopt formally at least once annually a suitably designed financial risk assessment register. We note that Crudwell has one covering financial and management risks. The response to our Corporate Governance Questionnaire confirms this was reviewed by the Council in March 2019. From our review of the minutes approval of the risk assessment does not appear to have been formally documented at the meeting held on 5th March 2019, it is important that approval is formally minuted.

We note that the Council's insurance cover is provided by Zurich with public liability cover at £12m, employers liability at £10m and Fidelity Guarantee cover at £50,000.

We note that the play area is subject to independent safety inspections.

Conclusion and recommendation

We are pleased to record that no significant issues arise in this area, although we make one recommendation below.

R1. The Council should ensure the approval of the risk assessment has been formally documented in the minutes.

Budgetary Control and Reserves

The Council's minutes, together with the supporting papers provided to Council, indicate that members have considered and agreed the 2019-20 budget and precept, setting the latter at £15,666 at the January 2019 meeting.

We are pleased to note that members continue to receive periodic updates on the Council's financial standing and performance against budget throughout the year.

Overall reserves at 31st March 2019 were £30,237 (£31,587 as at 31st March 2018). We note that in considering the future year's budget members considered reserves.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

Review of Income

The Council receives, in addition to the annual precept, income from bank interest, grants and donations, allotment rents and recoverable VAT. We have reviewed and agreed income received during the year by reference to the year's bank statements and other available supporting documentation including remittance advices and details of VAT reclaims. We have confirmed receipt of the 2018/19 precept to the minutes and cash book as well as the remittance advices from Wiltshire Council.

We note that appropriate invoices had been raised to recover the allotment rents due in the early part of 2019-20 with most paid by 31st March 2019.

Conclusions

We are pleased to record that no issues arise in this area warranting formal comment or recommendation.

Petty Cash Account

We note the Council's policy not to maintain any form of cash float. Any out-of-pocket expenses incurred are reclaimed and paid accordingly in line with normal trader payment procedures.

We also note that a Council bank account debit card is held by one councillor and have examined and ensured that appropriate documentation is held in respect of its use as part of our above "Review of Expenditure".

Salaries and Wages

We noted previously that the Clerk has an appropriate Employment Contract and have again checked the basis of her salary payments during the year, noting Council's acknowledgement of the national pay awards effective each year. We note also the use of a payroll bureau.

The details of each salary payment are analysed in a voucher showing the hours worked and the hourly rate cross referenced to the national scales. Details of expenses are recorded on the same sheet. We note this is signed by members and the actual amount paid is included in the minutes each time.

We again note that the Clerk's salary is below the thresholds for deduction of tax and NI during 2018-19.

Conclusion

No matters arise from this area of our review.

Asset Registers

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We are pleased to acknowledge the existence of an appropriate register. We have test checked the additions to invoices paid during the year and agreed the year end balance to box 9 of section 2 of the AGAR.

Conclusions

There are no issues arising from this area of our review this year.

Investments and Loans

The Council has no funds in investments, other than the Lloyds deposit account on which a small amount of interest is received monthly. No loans are in existence.

Statement of Accounts and AGAR

Data for inclusion in the 2018-19 AGAR has been based on the cashbook and asset register detail. We have checked the transfer of data from the cash to the AGAR.

Conclusions

No additional issues have arisen in this area this year and we have duly signed-off the Internal Audit Report assigning positive assurances in each relevant area.

Action Plan

2017/18 recommendations

Rec. No.	Recommendation	Response
Review of Corporate Governance		
R1	The Council should review its Standing Orders ensuring they reflect recent / ongoing legislative changes, ideally basing any revision on the latest NALC model document.	<i>Now done based on NALC. Adopted September 2018.</i>
R2	When next reviewing both Standing Orders and Financial Regulations, consideration should be given to the adoption of a more realistic value for formal tender action at between £5,000 and £10,000.	<i>Adopted a threshold of £25,000.</i>
R3	The Council should ensure that it complies with the annual disclosure requirements of the Transparency Code.	<i>Minutes are on the website which detail all payments. The AGAR is on the website providing information on the Annual Governance Statement and year-end accounts etc. The Fixed Asset Register is on the website.</i>
Review of Salaries		
R4	The Clerk and members should ensure that the correct hourly salary rate is applied in accordance with the Clerk's employment contract when signing off each month's time sheet and salary / expenses payment docket.	<i>Monthly sheets submitted showing calculation of pay specifically the hours worked multiplied by the national Spinal Column Point together with details of the admin allowance. Expenses separately analysed on the same sheet. The total paid is minuted and the sheet signed by councillors</i>
R5	Once the true value of the clerk's salary for 2018-19 is calculated, members should review the calculation ensuring its accuracy and approve payment of the calculated arrears / under-payment with the next monthly salary.	<i>See above.</i>

Action Plan

2018/19 recommendations

Rec. No.	Recommendation	Response
Assessment and Management of Risk		
R1	The Council should ensure the approval of the risk assessment has been formally documented in the minutes.	