
Sutton Bridge & Wingland Parish Council

Internal Audit Report 2018-19

John Watson

*For and on behalf of
Auditing Solutions Ltd*

Background

The Accounts and Audit Regulations introduced from 1st April 2001 require all Town and Parish Councils to implement an independent internal audit examination of their accounting records and systems of internal control and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR). The Council complied accordingly, in terms of independence from the Council decision making process from the outset. Subsequently, we at Auditing Solutions Limited, were appointed to provide the function to the Council.

This report records detail of the work undertaken in respect of the 2018-19 financial year which took place on 30th May 2019.

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/AGAR. We have employed a combination of selective sampling techniques (where appropriate) and 100% detailed checks in a number of key areas 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 is also designed to facilitate our completion of the 'Annual Internal Audit Report', which requires independent assurance over ten internal control objectives.

Overall Conclusion

We are pleased to conclude that, based on the programme of work undertaken, the Clerk and Council have maintained more than effective internal control arrangements during the year and that transactions are accurately reflected in the detailed Statement of Accounts and AGAR.

The detailed report which follows sets out the scope of our audit work this year and our findings with no significant recommendations arising, although we have identified one or two areas where we consider procedures could be further strengthened.

We have completed and signed the 'Internal Audit Report' as part of the year's AGAR process, 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

Our objective in this area is to ensure that accounting records are being maintained accurately and on a timely basis, and that no anomalous entries appear in cashbooks or financial ledgers.

The accounting records have been maintained using an Excel spreadsheet and the Council operates two bank accounts with TSB and one bank account with Unity Bank, this latter account being opened in the year under review.

To ensure the appropriateness and accuracy of the recording of transactions, we have:

- Checked and agreed the opening balances for 2018-19 to the closing balances and certified Annual Return for 2017-18;
- Ensured that the cost and expenditure analysis structure is appropriate for purpose;
- Commenced checking and testing of detail in the spreadsheet cashbook, verifying all payment and receipt transactions in respect of each of the accounts in operation at TSB for the year ending 31st March 2019 to relevant bank statements;
- Commenced checking and testing of detail in the spreadsheet cashbook, verifying all payment and receipt transactions in respect of the account in operation at Unity Bank for the year ending 31st March 2019 to relevant bank statements;
- Ensured that the accounts remain “in balance” on a monthly basis;
- Ensured that no long outstanding unrepresented cheques or other anomalous entries exist;
- Checked that bank reconciliations are prepared routinely; and,
- Verified the bank reconciliation detail on the combined bank accounts as at 31st March 2019.

We note that the Council have chosen to continue maintaining their accounts on an Excel spreadsheet rather than using one of the bespoke local authority accounting packages that are on the market.

Conclusion

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation. We have ensured the accuracy of the closing balances declared in the AGAR.

Review of Corporate Governance

Our objective is to ensure that the Council has a robust regulatory framework in place; that Council meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are able to ascertain (as we do not attend Council or Committee meetings), no actions of a potentially unlawful nature have been or are being considered for implementation. We have in this regard:-

- Examined the Council’s minutes for the financial year 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 in existence whereby the Council may either be considering or have taken decisions that might result in ultra vires expenditure being incurred;

- Noted that revised Standing Orders were reviewed and adopted by Council at their meeting on 30th October 2018 (minute 215.18 refers)
- Also noted that revised Financial Regulations were last reviewed and adopted by Council at their meeting on 24th April 2018 (minute 81.18.vi refers);
- Further noted that both documents refer to the revised EU Regulations in relation to contracting and tendering, specifically in the need to formally advertise any contractual work in excess of £25,000 on the Government Contract Finder Website, and
- Finally noted that, following a discussion of the Council's budgetary requirements, the 2019-20 budget and precept were formally agreed and adopted by Council at their meeting on 11th December 2018, the precept being set at £63,841 with no Council Tax Support Grant being payable in the year (minute 258.18.iii refers).

Conclusion

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

Review of Payments

Our objective here is to ensure that:

- Council resources are released in accordance with the approved procedures and budgets;
- Appropriate documentation supports payments, 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;
- Payments are correctly analysed in the accounting records and end of year accounts;
- VAT has been appropriately identified and coded to the control account for periodic recovery, and
- Section 137 payments have been identified accordingly and are within the Council's spending limit.

We have examined the transactions in the cash book for the year to ensure compliance with the above criteria and are pleased to record that no issues have been identified with all the criteria duly met; we note that all payments are reported to Council.

We are pleased to report that VAT repayment claims have been submitted to HMR&C on a quarterly basis in the year under review, the last claim being for the quarter to 31st March 2019. We have noted that input tax of £2.19 on one invoice was not recorded. We have discussed this with the Clerk and understand that this will be corrected in the next submission to HMR&C

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

Assessment and Management of Risk

Our objective is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and operational/health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks to minimise the opportunity for their coming to fruition. We have: -

- Examined the Council's approach to Risk Management noting that Council approved their Risk Assessment Register at their meeting on 26th March 2019 (minute 64.19.iv refers);
- Noted that the Council's insurance cover is provided by Ecclesiastical Insurance and have reviewed the policy which currently provides cover to 30th September 2019 with Public and Employer's liability both set at £10 million and Fidelity Guarantee set at £150k; and
- Further noted that regular inspections of the Council owned play area are carried out by Councillors, records being kept of these inspections. The play area is also inspected annually by a RoSPA certified Company.

Conclusions and recommendation

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

Budgetary Control & Reserves

Our objective here is to ensure that the Council has robust procedures in place for identifying and approving its future budgetary requirements and level of precept to be drawn down from the District Council, and that effective budget reporting and monitoring arrangements are in place.

We have considered the procedures in place for preparation and adoption of the Council's annual budget and precept and, in conjunction with the assurances provided by the Chairman in our Governance questionnaire, consider them sound and appropriate for the Council. We have;

- Noted from our review of the minutes that members are provided with regular budgetary performance reports throughout the year;
- Also noted that a detailed budget exercise was undertaken and approved by Council at their meeting held on 11th December 2018 (minute 258.18.iii refers);
- Considered the appropriateness of the level of General Reserves to meet the Council's ongoing revenue spending requirements noting that reserves at the year-end total £155,462 of which Earmarked Reserves are £61,900. The balance of General Reserves at £93,562 equates to just over fifteen months average revenue expenditure which is above the CIPFA guideline of between three and six months' expenditure; and,
- Reviewed the year-end budget outturn for any significant unexplained variances with none in evidence.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

Review of Income

Other than the Precept and various grants, the main sources of income have been from allotment rentals, playing field hire and VAT re-claimed on expenditure. We also understand that the Parish Cemetery mentioned in our report last year has now been commissioned.

We have ensured that all allotment income due has been recovered, banked in a timely manner and recorded appropriately in the accounting records.

We have also examined the transactions in respect of cemetery income for the year under review checking from the sequential burial register to source paperwork to the cash book spreadsheet to the relevant bank statements and are pleased to note that no issues arise in this regard.

Conclusion

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

Petty Cash Account

The Council does not operate a petty cash account: any incidental “out-of-pocket” expenses are repaid to the Clerk periodically in conjunction with his salary and are approved and minuted as part of the normal controls exercised over payments.

Review of Staff Salaries

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

- Reviewed the Council’s payroll preparation procedures;
- Noted that the Clerk calculates salaries using the Government’s PAYE Tools software;
- Checked to ensure that the Council has reviewed and approved appropriate pay scales for staff; we are pleased to note in this regard that appropriate letters have been issued to staff detailing their salary and/or hours;
- Checked and agreed the amounts paid to individuals by reference to the approved pay rates, examining payments made in December 2018;

- Ensured that PAYE, NIC and superannuation deductions have been made accurately by reference to the HMRC Basic PAYE Tools software and appropriate pension contribution bands; and
- Ensured that the appropriate month's deductions and contributions have been paid over to HMR&C and the Lincolnshire Pension Fund in a timely manner; we do note in this regard that there have been delays in making the appropriate payments to HMR&C but that this issue was resolved at the end of the financial year.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

Asset Register / Inventory

The Governance and Accountability Manual requires that all Councils develop and maintain a register of assets identifying detail of all land, buildings, vehicles, furniture and equipment owned by the Council.

The reporting arrangements for assets in the AGAR require councils to report the value of each asset at purchase cost or at a suitable proxy where that value is not known, and for community assets to be valued at a nominal £1. The value of individual assets should not change from one year to another, other than for the inclusion of new assets or removal of any disposed of.

We are pleased to note that a comprehensive asset register is in place identifying the type of asset (i.e. by category), its location in the parish, detail of the asset, cost price (net of VAT). Insured value and, where known, acquisition date, all of which we consider represents best practice.

We are also pleased to note that a photographic record is now being kept of assets listed in the register.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation. We have ensured the accurate disclosure of Assets in the AGAR.

Investments and Loans

Our objectives here are to ensure that the Council is "investing" surplus funds, be they held temporarily or on a longer term basis in appropriate banking and investment accounts; that an appropriate investment policy is in place; that the Council is obtaining the best rate of return on any such investments made; that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

We have confirmed that the Council holds no long-term investments requiring disclosure in the Statement of Accounts, nor are there any loans with external bodies in existence repayable by or to it.

We are pleased to note that the Clerk has prepared an investment strategy and this is to be put before Council in May 2019.

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

Statement of Accounts and AGAR

The 1996 Accounts and Audit Regulations required all Councils to prepare annually a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council's financial affairs.

We have reviewed the AGAR detail prepared by the Clerk, as generated from the Excel spreadsheet with no obvious errors or anomalies in the detailed content

Conclusions

No issues have been identified in relation to the verification of detail in the Statement of Accounts and AGAR this year.

On the basis of our detailed work on the Council's systems of financial control and content of the detailed Statement of Accounts and that summarised detail set out in the AGAR, we have signed off the Internal Audit Report of the AGAR assigning positive assurances in each relevant area.