
Burghfield Parish Council

Internal Audit Report: 2016-17 (Final)

Prepared by Nigel Archer

*For and on behalf of
Auditing Solutions Ltd*

Background and Scope

The Accounts and Audit Arrangements, introduced from 1st April 2001, require all Town and Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. The Council complied with the requirements in terms of independence from the Council decision making process appointing Auditing Solutions Ltd to provide the function to the Council from the outset.

Internal Audit Approach

In completing our review for 2016-17, we have continued to have regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts. This report sets out those areas examined during the course of our recent final visit to the Council for the year, which took place on 20th April 2017, and supplements the interim work undertaken on 23rd November 2016.

Our reports and file of work undertaken for the year can be made available, on request, to the Council's external auditors should they require further assistance in gaining the required level of assurance on the adequacy of those Council's systems examined and detailed in the final report in due course.

Overall Conclusion

We are again pleased to report that, on the basis of the work undertaken this year, we are able to conclude that the Clerk continues to operate effective financial control systems, with our testing and examination of the controls in place identifying no significant issues currently.

This report has been prepared for the sole use of Burghfield Parish Council. To the fullest extent permitted by law, no responsibility or liability is accepted by Auditing Solutions Ltd to any third party who purports to use or rely on, for any reason whatsoever, this report, its content or conclusions.

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. To meet that objective, we have: -

- Previously noted that the Village Hall records had been successfully merged into those of the Parish in Omega, although separate bank accounts at Unity remain open at the present time;
- Checked and agreed the opening trial balance brought forward in the Omega software to the closing statements of Account for 2015-16;
- Verified that the financial ledger remains “in balance” at the present date;
- Ensured that the cost and expenditure coding structure remains appropriate for purpose;
- Continued checking and testing of detail in the cashbook, examining three sample months’ transactions (May & October 2016 and March 2017) and agreeing them to the relevant bank statements for the Parish and the Hall;
- Checked and agreed all transactions for the year in the three Nationwide, Newbury and Unity Reserve accounts from bank statements / passbooks to relevant cashbooks; and
- Checked and agreed detail on the bank reconciliations for both current accounts as at 31st May & October 2016 and 31st March 2017 with no long standing, unrepresented items or any other anomalous entries arising.

Conclusions

No issues have been identified to warrant formal recommendation in this area.

Review of Corporate Governance

Our objective is to ensure that the Council has a robust series of corporate governance documentation 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 have:

- Reviewed the minutes of the Full Council and its Standing Committees (except Infrastructure’s planning notes) for the financial year to end March 2017 to identify whether or not any issues exist that may have an adverse effect on the Council’s future financial stability, either in the short, medium or longer term: no such issues have been identified at present;
- Previously noted, in our final report for 2015-16, that the Council had re-affirmed its extant Standing Orders and Financial Regulations in April 2015: subsequently, we note that they have been further reviewed with extant documentation re-affirmed, following the recommendations of the Governance Committee, at the Full Council meeting in May 2016; and

- We note that the members have determined that all criteria for the General Power of Competence to be adopted were met at the Full Council meeting in May 2016.

Conclusions

No issues have been identified to warrant formal recommendation in this area.

Review of Expenditure

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 expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

In order to ensure compliance with the above criteria we have again examined a sample of payments, including all those individually in excess of £1,500, together with a more random sample of every 20th cashbook transaction (irrespective of value), to 31st March 2017. Our test sample comprised approximately 50 items in all, totalled £88,000 and represented 54% of all non-pay costs for the year.

We have previously checked the second quarter's electronic VAT return submission to the underlying control account records with no issues identified and, subsequently at this final visit, have checked and agreed the year-end debtor disclosed in the Statements of Accounts to the Omega balances.

Finally in this area, we have updated our year-on-year analysis of expenditure incurred across the range of Council activities with no significant, unidentified variances warranting further enquiry or explanation by officers.

Conclusions

No issues have been identified to warrant formal recommendation in this area.

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 pleased to note that detailed Governance and Risk Registers (based on the bespoke LCRS software) were reviewed and re-affirmed by the Governance Committee at its meeting in September 2016 and, by subsequent minute adoption, Full Council in October 2016: also further updated in January 2017; and
- We note that the Council's insurance cover continues to be provided by Aviva: we have examined the current year's policy schedule (to May 2017) to ensure that appropriate cover remains in place noting that both Public and Employer's Liability remain at £10 million, with Fidelity Guarantee cover retained at £400,000 and Loss of Revenue cover in place at £13,000, all of which we consider meets the needs of the Council at present.

Conclusions

No issues have been identified to warrant formal recommendation in this area.

Budgetary Control & 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 level of precept to be drawn down from the District Council or Unitary Authority (where applicable): 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 are pleased to note that members are provided with regular (generally monthly) I&E budget monitoring reports and we have visually examined that for March 2017 with no significant, un-identified variances to warrant any further enquiry or explanation by officers.

We are also pleased to note that due and appropriate consideration has been given to the budgetary and precept requirements for 2017-18 resulting in the adoption of a Precept of £257,500, with no supplementary Council Tax Support Grant payable, at the Full Council meeting in January 2017.

Finally in this area, we note that Total Reserves as at 31st March 2017 stood at £455,000, comprising specific Earmarked items of £324,000 and the residual General Fund of £131,000. The latter represents approximately six months expenditure at current levels, which is considered to be more than acceptable at present.

Conclusions

No issues have been identified to warrant formal recommendation in this area.

Review of Income

In addition to the precept, the Council's principal source of income arises from its Village Hall lettings together with Allotment rentals, bank interest and sundry grants and donations.

We are pleased to note that members have again reviewed and approved the scales of fees and charges for 2016-17.

All processes for Hall bookings and income recording remain unchanged compared with the previous year following the introduction of the RBS software, testing of which did not identify any issues as we checked and agreed a sample month's Sales Ledger daybooks (February 2017) to supporting copy invoices and verified that the hourly rates charged were in accord with the times of hire booked and appropriate days of the week.

We have checked and agreed all Cemetery income for the year by reference to the electronic Registers, the supporting deeds / burial certificates and the Omega nominal code transactions with no issues.

Additionally we have, as noted earlier in this report, verified three sample months' receipts from cashbooks to bank statements.

Finally in this area, we have updated our year-on-year analysis of income arising across the range of Council activities with no significant, unidentified variances warranting further enquiry or explanation by officers.

Conclusions

No issues have been identified to warrant formal recommendation in this area.

Petty Cash Account

The Council does not operate a petty cash account, any out-of-pocket expenses incurred by the Clerk or her staff being reimbursed as required by approved and supported transfers in the same manner as all other supplier payments.

Review of Salaries

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 Revenue 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, as most recently further updated with effect from 1st April 2015. To meet that objective, we have: -

- Ensured that the Council has again reviewed and approved pay scales for staff for 2016-17;
- Noted that the payroll service continues to be operated by the Clerk "in house", utilising HMRC's free Tools software;

- Confirmed, by reference to the October 2016 payslips, that each member of staff has received the correct gross salary in line with the Council's approved scales;
- Checked to ensure that any enhanced overtime or other variable hours are paid in accordance with appropriately prepared and certified time records;
- Checked to ensure that Income Tax and NIC deductions have been made applying the appropriate PAYE codes and NIC Tables;
- Ensured that the appropriate percentage deduction rate has been applied in respect of pension contributions; and
- Verified that the appropriate net pay has been paid to each employee for the month and that HMRC settlements have been made in a timely and accurate manner.

Conclusions

No issues have been identified to warrant formal recommendation in this area.

Asset Registers

The Accounts and Audit Regulations 1996, as amended from time to time, require all councils to develop and maintain a register of assets identifying detail of all land, buildings, vehicles, furniture and equipment owned by the Council.

At this final visit for 2016-17, we note that there has been only limited movement in the asset register for the year with new additions such as LED streetlights and youth shelter in the overall sum of £10,934.

Conclusions

No issues worthy of further note have been identified in this area of our review and we have checked and agreed the overall balance disclosure at Box 9, Section 2 of the Annual Return.

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 institutions; 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 repayable by the Council are transacted in accordance with appropriate loan agreements.

Conclusions

Currently, the Council holds no "investments" (all surplus monies being retained in the Unity Trust reserve bank account, the Newbury and the Nationwide Building Societies), nor does it have any loans either repayable by, or to, it.

Statement of Accounts and Annual Return

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

In previous years, the council has engaged the services of third party contractors but we note that, for the current year under review, the Clerk herself has undertaken the necessary steps to develop her own Accounts based on the facilities provided within the Omega software.

At the time of the final visit, this work was not quite completed with one or two closing journals still to posted: notwithstanding this, we have examined and agreed the detailed content to the underlying Omega accounting and other relevant supporting documentation and it was agreed that we would be provided with the final versions in electronic format at a later date.

Conclusions

We are pleased to report that no further issues have been identified in this area: we have "signed off" the Internal Audit Certificate within the Annual Return, assigning positive assurances in all relevant categories, and left the original for the Clerk to complete Section 2 prior to presentation to members for authority to submit to the external auditors.