

---

# **Burghfield Parish Council**

*Internal Audit Report: 2017-18 (Final)*

---

*Prepared by Nigel Archer*

*For and on behalf of  
Auditing Solutions Ltd*

## **Background and Scope**

The Accounts and Audit Arrangements, introduced from 1<sup>st</sup> 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 2017-18, we have continued to have regard to the materiality of transactions and their susceptibility to potential misrecording 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 11<sup>th</sup> May 2018 and supplements the interim work undertaken on 1<sup>st</sup> November 2017.

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 this final report.

## **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 at present.

Consequently, we have duly signed off the Internal Audit Report at Page 3 of the revised Annual Governance and Accountability Return (AGAR in short), assigning positive assurances in all relevant categories.

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;
- Agreed the opening trial balance detail for 2017-18 with the closing balances in the 2016-17 Statement of Accounts / Annual Return;
- Ensured that the cost centre and income & expenditure ledger coding structure remains appropriate for purpose;
- Checked detail in the cashbooks, examining three sample months' transactions (April & September 2017 and March 2018) and agreeing to the relevant bank statements for the Parish and the Hall;
- Checked and agreed detail on the bank reconciliations for both accounts as at 30<sup>th</sup> April & 30<sup>th</sup> September 2017 and 31<sup>st</sup> March 2018 with no long standing, unrepresented items or any other anomalous entries arising; and
- Verified the annual postings of interest arising on the Unity, Nationwide and Newbury Reserve accounts and agreed the disclosure of the March 2018 balances on each account to the Statements of Account.

### *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 2018 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: we note the ongoing consultation processes in relation to the potential Community Hub facility on the Common but no financial implications have yet been finalised; and
- Previously noted, in our final report for 2016-17, that the Council had re-affirmed its extant Standing Orders and Financial Regulations in May 2016 (incorporating the revised Contracts regulations) and no changes of note have been considered necessary at this interim stage. Subsequently, we note that Standing Orders have been more recently reviewed (September 2017) and no further comment is considered necessary; and

- We note that the Precept for 2018-19 was formally approved at, and properly recorded in the minutes of, the Full Council meeting in January 2018.

### *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 20<sup>th</sup> cashbook transaction (irrespective of value), for the year to 31<sup>st</sup> March 2018. Our test sample comprised approximately 45 items in all, totalling just over £88,000 and representing 54% of all non-pay costs for the year.

We have also visually checked the second and fourth quarters' electronic VAT return submissions to the underlying control account records, also verifying the closing debtor disclosed in the Statement of Accounts.

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 were previously 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. Subsequently, at this final visit for 2018-19, we note that this exercise was duly repeated in accord with the Practitioners' Guide in September 2017; and
- We note that the Council's insurance cover has been the subject of a detailed review by officers / members in conjunction with the brokers Came and Co and that the insurer has been changed from Aviva to Axa for 2017-18 and beyond. We have examined the current year's policy schedule (to May 2018) to ensure that appropriate cover is still 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 £25,000, 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: 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 2018 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 2018-19 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 2018; and
- Finally in this area, we note that Total Reserves as at 31<sup>st</sup> March 2018 stood at £509,000, comprising specific Earmarked items of £313,000 and the residual General Fund of £196,000. The latter represents approximately nine 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 2017-18;
- All processes for Hall bookings and income recording remain unchanged compared with the previous year, following the introduction of the Rialtas software, testing of which did not identify any issues and we have not considered this area again at present;
- We have checked and agreed all Allotment income for the year by reference to the electronic Registers, noting that there were no significant outstanding items (less than £30 appeared to be overdue at the time of the previous interim audit) and there were just five interment entries in the Burial Registers for the year; and
- Additionally we have, as noted earlier in this report, verified three sample months' receipts from cashbooks to bank statements, together with all interest arising on the Council's three Reserve accounts.

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 1<sup>st</sup> April 2017 in relation to salary bandings. To meet that objective, we have: -

- Ensured that the Council has again reviewed and approved pay scales for staff for 2017-18;
- 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 September 2017 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 by reference to cashbook and bank statement transactions.

### ***Conclusions***

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

## **Asset Register / Inventory**

The “Governance and Accountability Manual – The Practitioner’s Guide”, requires all councils to maintain a detailed register of their assets. We aim in examining this aspect of the Council’s documentation to ensure that the Council has complied with that legislation; that an appropriate and comprehensive register is being maintained and that it is subject to periodic review and update.

We are again pleased to note the existence of comprehensive documentation in this area, including sound photographic evidence, and we also note that the Clerk has compiled the schedule of values in accord with extant guidance in reporting the value of assets in the year’s AGAR at the same value as in the previous year, uplifted for the new acquisitions during the financial year.

### ***Conclusions***

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

## **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 Bank, the Nationwide and the Newbury Building Societies), nor does it have any loans either repayable by, or to, it.*

## **Statement of Account 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.

We are pleased to note this year that the Clerk has again undertaken all the necessary steps to close-down the ledgers and compile the summary AGAR data and supporting Income & Expenditure and Balance Sheet statements without the need to engage external accountancy contractors.

We have checked and agreed the detail of same to the underlying Omega trial balance and other relevant documentation and verified the data for transposition onto Page 5 of the revised AGAR.

### ***Conclusions***

***As noted in the preamble to this report, there are no further matters arising and we have duly signed off the Internal Audit Report at Page 3 of the AGAR, assigning positive assurances in all relevant categories.***