
Ashover Parish Council

Internal Audit Report 2017-18: Interim

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For Auditing Solutions Ltd

Background

All town and parish councils are required by statute to make arrangements for an independent internal audit examination of their accounting records and system of internal control and for the conclusions to be reported each year in the Annual Return. Auditing Solutions Ltd has provided this service to Ashover Parish Council since 2001

This report sets out the work undertaken in relation to the 2017-18 financial year, during our visit on 28th November 2017.

Internal Audit Approach

In undertaking our review for the year to date, 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/Annual Return. We have employed a combination of selective sampling techniques (where appropriate) and 100% detailed checks in a number of key areas in order 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 has been designed to afford appropriate assurance that the Council's financial systems are 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 'Annual Internal Audit Report' in the Council's Annual Return, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We have concluded that, on the basis of the programme of work we have undertaken to date, the Council has maintained very satisfactory and effective internal control arrangements.

We ask that members consider the content of this report and acknowledge that the report has been reviewed by Council.

Detailed Report

Maintenance of Accounting Records and 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 Clerk continues to maintain the accounting records utilising the bespoke Alpha software. Nat West Current and Reserve bank accounts are in place with daily “sweeps” between them to maximise interest potential. We have: -

- Checked and agreed the opening Alpha trial balance detail for 2017-18 to the closing Trial Balance and certified Annual Return for 2016-17;
- Checked and agreed all transactions for April and October 2017 on all accounts noting that, a single cashbook is maintained for the NatWest Current and Reserve accounts;
- Agreed the monthly bank reconciliations as at 30th April and 31st October 2017 on all accounts;
- Checked all the inter-account transfers for April and October 2017; and
- Verified that an appropriate cost centre and nominal ledger structure remains in place.

Conclusions

We are pleased to record that no issues have been identified that warrant formal comment or recommendation. We will extend our review of accounting / bank transactions at the final visit, also verifying the accurate disclosure of year-end balances in the Accounts and Annual Return.

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 have: -

- Reviewed the minutes of meetings of the Full Council and its Standing Committees for the financial year to date, to ensure that, as far as we are reasonably able, 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;
- We have noted that the Council reviewed its Standing Orders and Financial Regulations adopting them formally in May 2017; and
- Confirmed that all payments continue to be approved by members and recorded in the minutes, together with reference to the relevant powers for approval of grants and donations.

Conclusions

There are no matters requiring formal comment or recommendation in this area of our review process. We will undertake further work at our final visit.

Review of Expenditure

Our aim here is to ensure that: -

- 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;
- 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.

We have completed testing in this area selecting a sample of payments individually in excess of £1,500 plus every 20th cashbook transaction, irrespective of value, to 31st October 2017. Our test sample includes 8 payments, totalling £20,156 and representing 58% of all non-pay related payments for the year with all the above criteria met.

We have also verified the current half year's VAT return to 30th September 2017 to the accounting software agreeing claim detail to the supporting invoices.

Conclusions

We are pleased to record that no issues have been identified that warrant formal comment or recommendation. We will undertake further work at our final visit.

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 / 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 have:

- Examined the Council's approach to the identification, recording and management of financial risks, reviewing the Council's schedule of risk assessments prepared through the specialist LCRS software, together with other risk documentation developed by the Clerk, also noting that the LCRS risk assessments were reviewed and re-adopted by the Council in May 2017. Noted that daily/weekly Health & Safety checks are completed by the Lengthsman and recorded appropriately: these are also supported by monthly and annual safety checks by North Derbyshire District Council safety officers; and
- Examined the Council's current year insurance policy, with Axa, to ensure that appropriate cover is in place to meet the Council's present needs. Both Public and

Employer's Liability stand at £10 million, with Fidelity Guarantee at £250,000, all of which we consider appropriate to the needs of the Council.

Conclusions

No issues have arisen in this area warranting formal comment.

Budgetary Control & 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 has, as evidenced by the supporting documentation and minutes, undertaken an appropriate exercise in determining the draft budget and precept requirement for 2018-19: we note that the year's final precept was approved by Full Council at £72,267, plus a Council Tax Support Grant Funding of £1,157 at its meeting on 17th October 2017.

We are again pleased to note that regular budget monitoring reports are presented to members generally monthly, also noting that periodic virements are approved, where applicable, to meet current spending priorities.

Conclusions

No issues have arisen currently in this area warranting formal comment. We will undertake a review of the final year end budget outturns and the reserves at our final visit.

Review of Income

The Council has a variety of income sources, ranging from the annual precept to burial fee income, bank interest, pavilion hire fees, miscellaneous donations and grants. We have:

- Checked cemetery activity for the year to October 2017 by reference to the burial register entries ensuring that they are all supported by appropriate undertakers' applications; that the fees charged are in accord with the published scales; that income has been received within an appropriate time scale and recorded appropriately in the accounting records. We also note that an electronic record is maintained of all the grave and burial records which is fully backed up on an independent hard drive: this electronic record is kept alongside the written records;
- Also checked and agreed allotment rental fee income for the year by reference to the ledger entries to ensure agreements were in place and that the fees charged at published scales and banked accordingly; and
- Noted that members approve the annual scales of fees and charges to be applied for Hall and Sports bookings, which have remained unchanged for 2017-18. We have reviewed a sample of pavilion and Tennis Court hire charges for two months (September & October 2017) from the monthly "Outlook" diaries through to invoices raised and payments received.

Conclusions

No issues have been identified with regard to our testing in this area. We will at our final visit, review our year-on-year analysis of income across the various ledgers.

Petty Cash Account

The Council does not operate a petty cash account: consequently, no action is required in this area of the Annual Return's internal audit certification process.

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 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 pension scheme, in relation to employee percentage bandings. To meet that objective, we have: -

- Checked and agreed the computation of staff gross and net pay for October 2017, also verifying that the net payments corresponded to the data produced for the month; and
- Checked detail of tax and NI deductions / contributions, together with Nest pension contributions, for October 2017, ensuring that the appropriate tables have been applied by reference to the HMRC Basic PAYE Tools software.

Conclusions

No matters have been identified in this area this year warranting formal comment or recommendation.

Loans and Investments

The Council holds neither any specific, long-term investments nor loans requiring disclosure in the Statement of Accounts and / or Annual Return.