
Lydiard Millicent Parish Council

Internal Audit Report 2016-17

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 had previously complied with this requirement but were forced, due to changes in personnel and relocations, to look for a new provider to perform the function: we, at Auditing Solutions Limited, were appointed subsequently in May 2008. This report details the work undertaken on the activities and transactions of the Council and sets out those areas examined during the course of our work “remotely” in our offices again this year.

Internal Audit Approach

In conducting our review for 2016-17, 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. However, in view of the relatively low number of transactions throughout the year, we have employed direct substantive testing techniques in several areas.

This report sets out the areas of work examined for the year and, together with our file of working papers, is available, on request, for review by the Council’s external auditors should they require any further assurances in any specific areas of our testing as detailed in this report.

Overall Conclusion

Overall, we are again pleased to be able to record that the Council has sound internal operating controls in place to help ensure that the Annual Accounts and Statement of Assurance set out in the Annual Return are completed in a full and accurate manner and that appropriate Corporate Governance documentation, such as Standing Orders, Financial Regulations and Risk Assessments, are pro-actively reviewed and amended as and when considered necessary.

There are no significant matters arising this year, two minor issues being discussed and agreed with the Clerk as part of the recent audit work and detail is embodied in the text to of the report: consequently, we have duly “signed off” the Internal Audit Certificate within the Annual Return and returned the original documentation to the Clerk for submission to members for approval prior to onward transmission to the external auditors.

This report has been prepared for the sole use of Lydiard Millicent 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. The current Clerk continues to operate the bespoke accounting software as before (Alpha, a locally supported package specifically targeted at the Town and Parish Council market) and the Council continues to hold one operational bank account at Lloyds plc with no periodic term deposits currently. We have:

- Ensured that the software nominal ledger coding structure remains fit for the purpose of a Parish the size of Lydiard Millicent;
- Checked to ensure that the opening balances corresponded to those in the certified Annual Return and more detailed Accounts for 2014-15;
- Verified that the ledger remained “in balance” at the financial year-end;
- Checked and agreed all cashbook transactions (receipts and payments) for the full financial year to the relevant Lloyds Bank account bank statements; and
- Checked and agreed detail of the bank reconciliation prepared as at 31st March 2017, noting also that bank balances are periodically reported to members.

Conclusions

There are no issues in this area to warrant formal comment or recommendation.

Review of Corporate Governance

Our objective is to ensure that the Council has a robust series of corporate governance documentation in place, that Council meetings are conducted in accordance with the adopted Standing Orders and that no actions of a potentially unlawful nature, which we could reasonably be expected to ascertain, have been or are being considered for implementation. We have: -

- Previously reported that the Council had formally reviewed and re-affirmed its extant Standing Orders and Financial Regulations (in May 2015): our examination of the current year’s minutes indicate that the latter has been the subject of a further review and was duly re-adopted in February 2017;
- Continued our examination of the Council’s minutes for the year to identify whether or not any issues exist that may have an adverse effect on the Council’s future financial stability. We noted previously the potential development of additional car parking next to the Village Hall but it would appear that this has been put “firmly on the back burner” for the foreseeable future; and
- Noted that the Precept for 2017-18 was properly considered at, and recorded in the minutes of, the Full Council meeting in January 2017.

Conclusions

There are no issues in this area to warrant formal comment or recommendation at present and shall consider the revisions to Financial Regulation as requested in the near future, ensuring that extant legislation, such as the revised contract / tender regulations has been considered.

Review of Payments

We aim in this area to ensure that sound procedures are in place to ensure that only bona fide payments are made in accordance with the Council's approved policies and procedures, specifically aiming to gain assurance that:-

- they have been processed in accordance with the approved Standing Orders, policies and procedures of the Council;
- they are appropriately supported by a genuine trade invoice or other suitable form of authorising document;
- members are provided with original documents for signature at the time cheque payments are authorised;
- VAT has been identified and coded appropriately to the VAT control account for periodic recovery; and
- Expenditure has been coded accurately in the financial ledger for the purpose of both budget monitoring and production of accurate year-end financial statements.

Consequently we have, due to their relative low number, examined all payments in the year against the above criteria with no issues arising.

We previously noted that the VAT reclaims for 2014-15 and the first period (April to July) in 2015-16 had been appropriately submitted to HMRC and, subsequently, we have verified the receipts to relevant cashbook entries. During this year's audit we note that the submissions for the period August 2015 to March 2016 and the year for April 2016 to March 2017 had been produced from the Alpha software and we have verified these balances were in accord with the ledger's control account. However, we did not identify any further documentation that this detail had been submitted to HMRC and the Clerk should ensure this is completed as soon as practical (if this is the case) as the Council is due to recover just over £3,000 currently.

Conclusions

There are no issues in this area to warrant formal comment or recommendation, although we would like to bring to attention the above observation.

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 have:

- Again noted from testing of invoices that the Council has considered its risk assessment responsibilities in terms of both Health & Safety and operational activity, with RoSPA inspections taking place as necessary;
- Noted previously that a formal Governance and Risk Management Register was adopted at the July 2015 Council meeting and with so few services and personnel, we note no revisions have been considered necessary; and
- We have also noted from our examination of minutes and testing of invoices that the Council's insurance cover continues to be provided by Aviva (via Came & Co brokers) under a long term agreement. We have examined the current policy schedule (for the year ending May 2017) and note that both Public and Employers' Liability stand at £10 million, whilst Fidelity Guarantee cover stands at £150,000 and Loss of Revenue cover at £10,000, all of which are considered appropriate for the Council's current requirements.

Conclusions

There are no issues in this area to warrant formal comment or recommendation, although we need to advise that Full Council should annually formally record its re-affirmation of the Risk assessment registers in accord with the revised Practitioners Guide requirements in this area.

Budgetary Control and 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 the level of precept to be drawn down from the Unitary Authority, 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 the 2017-18 budget and precept deliberations were properly concluded and agreed, with the latter being formally adopted at £45,760 (with no further Council Tax Support Grant payable), as properly recorded in the minutes of the January 2017 Full Council meeting;
- We note that members consider detail of all payments and receipts at each monthly Council meeting and that the bank accounts are regularly reconciled; and
- We note that, as at 31st March 2017, Total Reserves have increased from £60,159 to £74,140, largely as a result of current project cost savings. With specific Earmarked items standing at £24,000, the residual General Fund of £50,140 represents approximately two years expenditure at current levels, which is considered high in comparison with CiPFA guidelines of three to six

months although it is acknowledged works such as the Neighbourhood Plan will need substantial funding in the 2017-18 financial year.

Conclusions

There are no issues in this area to warrant formal comment or recommendation.

Review of Income

In this area of review, we aim to ensure that all income due to the Council is identified, invoiced (where applicable) and recovered at the appropriate rate and within a reasonable time scale, also that it is banked promptly in accordance with the Council's Financial Regulations. We have:-

- As part of the aforementioned cashbook review, checked and agreed all receipts from bank statements to the cashbook postings for the year;
- Noted previously that the Council had appropriately reviewed the scales of fees and charges for 2015-16 for both the clubhouse and sports field, with no revisions subsequently required for 2016-17; and
- Visually examined all income code, nominal ledger transaction reports for the year to ensure there are no obvious errors or omissions where receipts could ordinarily be expected, such as periodic pitch fees: no such issues were identified.

Conclusions

There are no issues in this area to warrant formal comment or recommendation.

Petty Cash Account

No petty cash system is operated by the Council, the Clerk and members submitting periodic claims for their minor "out-of-pocket" expenses, which are approved and reimbursed by cheque as with other supplier payments.

Review of Salaries

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

- Noted previously that the current Clerk was engaged on revised Terms and Conditions compared with the previous post-holder (effective from July 2015), with the role of RFO being re-integrated with that of Clerk;
- Checked the gross amounts paid throughout the year by reference to the approved SCP rates, the monthly cheque requisitions and the cashbook entries; and

- Noted that the Council continues to meet the extant HMRC legislation in relation to the maintenance of a formal PAYE Scheme, monthly RTI submissions being completed utilising their free, bespoke Tools software; and

Conclusions

There are no issues in this area to warrant formal comment or recommendation, although we have discussed with the Clerk a very minor shortfall in hourly rates paid in 2016-17 (just 11p per hour), of which she is aware.

Asset Registers

The Accounts and Audit Regulations 1996 (as amended periodically) require all Councils to maintain a record of all assets owned and this continues to be the case at Lydiard Millicent. We have previously, in conjunction with the retired Chair and former Clerk, agreed the detail disclosed in the register maintained for this purpose at purchase cost (or proxy cost where applicable) to meet the current requirements of the Practitioners' Guide in this area. Consequently, with no evidence of any acquisitions of note in 2016-17, we have agreed the unchanged overall value disclosed at Box 9, Section 2 of the Annual Return.

Conclusions

There are no issues in this area to warrant formal comment or recommendation.

Investments and Loans

The Council holds no long-term investments warranting separate disclosure in the Balance Sheet or Statement of Accounts, nor does it have any loans in existence either repayable to, or by, the Council.

Statement of Accounts and Annual Return

We have checked and agreed the Annual Return working detail reports to the closing underlying Alpha Trial Balance for 2016-17, also noting the appropriate transfer of data to Section 2 of the Return.

Conclusions

No matters have been identified warranting formal comment or recommendation in this area and we have, as noted in the preamble to this report, signed off the Internal Audit Certificate within the Return.