

Lydiard Millicent Parish Council

Internal Audit Report 2018-19

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*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. 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 2018-19, 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 / Annual Governance and Accountability Return (AGAR). 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 AGAR 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 matters arising this year to warrant further discussion and we have duly signed off the Internal Audit Report at Page 3 of the AGAR, assigning positive assurances in all relevant categories and returned the original documentation to the Clerk for submission to members for approval prior to onward transmission to the external auditors.

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, which is supplemented by a CCLA deposit. 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 for 2018-19 corresponded to those in the certified AGAR and more detailed Accounts for 2017-18;
- 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 2019, 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 February 2017, and, subsequently, we note SOs have again been re-adopted in October 2018;
- 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 2019-20 was properly considered at, and recorded in the minutes of, the Full Council meeting in January 2019.

Conclusions

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

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 examined a sample of all payments in the year, namely all those individually in excess of £1,000 together with a further selection of every 20th cashbook transaction (irrespective of value) against the above criteria with no issues arising.

During this year's audit we are pleased to note that the VAT submissions for the year April 2017 to March 2018 (previously recorded as verified to the Alpha control account balances) had been completed with all monies due being received in July 2018. In addition, we have verified the Alpha control account balance as at March 2019 to the cashbook and closing year-end debtor disclosed in the Accounts and shall agree its recovery during next year's audit.

Conclusions

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

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 and minutes reviews 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 again in April 2018 and did not consider further work to be necessary in this area currently; and
- We have also noted from our examination of minutes and other documentation provided by the Clerk that the Council's insurance cover was the subject of a re-quotation exercise for the next three years (via the brokers Came & Co) brokers) and the provider has been changed to Inspire. We have not specifically examined the content of the new policy schedule but are advised verbally by the Clerk that levels of cover remain identical to that previously provided, including both Public and Employer's Liability 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.

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 2019-20 budget and Precept deliberations were properly concluded and agreed, with the latter being formally adopted at £52,800 (with no further Council Tax Support Grant payable), as properly recorded in the minutes of the January 2019 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 presented; and
- We note that, as at 31st March 2019, Total Reserves stood at £113,500 which comprised of specific Earmarked items amounting to £33,500 and the residual General Fund of £80,000 (which is quite high at approximately 18 months expenditure at current levels but is partly as a result of writing back the previously earmarked car park provision of £20,000).

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 2017-18 and 2018-19, although we note that the fees for the re-vamped cricket facility in 2019-20 have been agreed in November 2018; and
- Examined a sample of invoices in relation to the football and cricket pitches, the former of which are "self billed" whilst the latter is invoiced by the Clerk on a monthly basis, and verified the fees and charges thereon.

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.

Conclusions

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

Review of Staff 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: -

- Checked the net amounts paid throughout the year by reference to the approved SCP rates, the national insurance deductions, 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.

Conclusions

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

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. Subsequently, we note that the current Clerk (in conjunction with a physical inspection of assets throughout the Parish) has utilised a revised listing but the asset values are stated on the correct basis therefore we have agreed the overall value disclosed at Box 9, Page 5 of the AGAR.

Conclusions

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

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 and that interest earned is brought to account correctly and appropriately in the accounting records. We also aim to ensure that any loan repayments due to or payable by the Council are processed in accordance with the respective and relevant loan agreements.

The Council has "invested" surplus funds of £45,000 in the CCLA Public Sector Deposit Fund with monthly dividends added to the account as advised to the Council routinely: we have verified that all receipts due for the year have been duly posted to the nominal ledgers and have agreed the closing balance from third party statements to cashbooks and bank reconciliations.

Currently, the Council has no loans either repayable by, or to, it

Conclusions

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

Statement of Accounts and AGAR

We have checked the AGAR working detail reports to the closing underlying Alpha Trial Balance for 2018-19, also noting the appropriate transfer of data to Page 5 of the AGAR. As discussed with the Clerk, one minor presentational item in relation to the analysis of Staff and Other costs was identified and agreed but this had no effect on the overall "bottom line".

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 Report within the AGAR.