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# **Lydiard Millicent Parish Council**

*Internal Audit Report 2014-15*

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## **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 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 visit to the Parish Office on 21<sup>st</sup> April 2015.

## **Internal Audit Approach**

In conducting our review for 2014-15, 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.

As the Council's Internal Auditor and under the revised audit arrangements, we have a duty to complete the internal audit certificate in the Council's Annual Return, which covers the basic financial systems and requires assurance in ten separate 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 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.

We are pleased to report that there are no matters arising to warrant formal recommendation this year and we have duly "signed off" the Internal Audit Certificate at Section 4 of the Annual Return, assigning positive assurances in each relevant area.

# 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 Council continues to operate the bespoke accounting software as before (Alpha, a locally supported package specifically targeted at the Town and Parish Council market) and we have previously noted the separation of the role of RFO and the Clerk following the previous dual post-holder's request to split the role, the former clerk retaining the financial element, whilst a new Clerk was recruited for the administrative and other Council management duties: this remained the position throughout 2014-15.

As part of our audit work in this area 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 2013-14;
- 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 TSB Bank account bank statements; and
- Checked and agreed detail of the bank reconciliation prepared as at 31<sup>st</sup> March 2015, noting also that reconciliations are prepared regularly during the year; that appropriate hard copies, based on the software's reporting facility, are being retained and independently verified by members.

### *Conclusions*

*No issues have been identified in this area of our review process.*

## 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 adopted its extant Standing Orders and Financial Regulations: our examination of the current year's minutes indicate that these have been appropriately reviewed, revised slightly and formally re-adopted in June and May 2014 respectively; and
- 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 and are pleased to record that no such issues would appear to be in place at present.

We previously drew members' attention to the repeal of Section 150(5) of the LG Act 1972 that required all payable orders to be signed by two members: also to approval of the use of electronic banking facilities and note that this Council has determined that the "status quo" should be retained for the present time, although internet access for viewing bank statements has now been obtained and "faster payments" are now established for settlement of HMRC liabilities as required by this agency.

### ***Conclusions***

***There are no specific recommendations arising in this area this year.***

## **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 reclaim for 2013-14 had been appropriately submitted to HMRC and, subsequently, we have verified its receipt during the current year to relevant cashbook entry. The content of the submission for 2014-15 has been checked and agreed to the underlying software detail and we shall verify its recovery at a future audit visit for 2015-16.

### ***Conclusions***

***No issues warranting formal comment or recommendation have been identified in this area of our work.***

## 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 our examination of the minutes, testing of invoices and verbal feedback by the RFO, that the Council has considered its risk assessment responsibilities in terms of both Health & Safety and operational activity;
- However, we have seen no indication that a register has been prepared and submitted to Council for formal agreement and adoption, although we note that members undertake a periodic “walk-through” in the Village to ensure the infrastructure is being maintained in addition to the formal RoSPA inspections and that all financial matters are regularly considered at each Council meeting; and
- We have reviewed the current year’s Insurance policy, noting that cover continues to be provided by Aviva. We 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

*Whilst no significant issues exist in this area, we would, as noted in our previous report, re-iterate the need for the Council to formalise its risk management arrangements ensuring that a formal register of risks is prepared identifying all areas of potential financial risk that may face the Council, together with an assessment of the likely financial impact were any such risks to be realised.*

*We would also point out that the formal annual adoption of a risk register is now mandatory in accordance with the requirements of the 2014 edition of the Governance and Accountability Manual.*

## 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 2015-16 budget and precept deliberations were properly concluded and agreed, with the latter being formally adopted at

£21,211 (excluding the Council Tax Support Grant of £103), as properly recorded in the minutes of the January 2015 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 31<sup>st</sup> March 2015, Total Reserves have increased marginally from £42,500 to £50,413, largely as a result of increased Cemetery income and minor cost savings elsewhere, which represents approximately two years expenditure at current levels. Whilst this may be considered excessive at present, we note the intention to continue to progress projects such as Car Park and Footpath works in the near future.

### *Conclusions*

*No issues arise in this area of our examination.*

## **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;
- Noted that the Council has appropriately reviewed the scales of fees and charges for 2014-15 for both the clubhouse / sports field and the cemetery, with minor increases adopted for some items, whilst discussions with the newly formed junior football club were successful for the 2014-15 season following the demise of the previous user group; and
- Noted that a Councillor acts as "volunteer bookings clerk" with details for Chestnut Springs hires being recorded by him on a monthly basis, the detail of which is then provided to the Finance Officer for the purpose of sales invoicing: we have checked a sample period (December 2014 & January 2015) with no matters arising.

### *Conclusions*

*We have no matters to raise in this area at present, all testing criteria being met appropriately.*

## **Petty Cash Account**

*No petty cash system is operated by the Council, the Clerk and RFO 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 that the current Clerk was engaged on similar Terms and Conditions to the previous post holder, with effect from January 2014, whilst the RFO has been retained, albeit on a limited hours per month contract;
- Checked the amounts paid throughout the year by reference to the approved SCP rates and the cashbook entries;
- 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
- As officers were already aware, there was an extremely minor discrepancy in one of the monthly submissions but with a monetary difference in the region of just £10, no further recommendation or action is considered necessary: there was no difference in the actual net payments to staff, simply a software processing matter.

### *Conclusions*

*No further issues have been identified in this area warranting formal comment or recommendation and we are pleased to note that the existing Clerk had previously (following our comment in last year's report) determined that he would resolve his own personal tax position: consequently the Parish needed to take no further action.*

## Asset Registers

The Governance and Accountability Manual requires all Councils to maintain a record of 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 2014-15, we have agreed the unchanged overall value disclosed at Box 9, Section 1 of the Annual Return.

### *Conclusions*

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

## **Investments and Loans**

The Council holds no long-term investments warranting separate disclosure in the Balance Sheet or Statement of Accounts. We previously reported that the Council had migrated its surplus funds to Treasury term deposits arranged through Lloyds Bank, as an alternative to the previous Bank of Ireland deposit account, and subsequently, at this visit, we have checked and agreed the 31<sup>st</sup> March 2015 year-end holding of £25,000 to the third party bank advice note.

No loans exist that are either repayable to, or by, the Council.

### ***Conclusions***

*No matters have been identified warranting formal comment or recommendation.*

## **Statement of Accounts and Annual Return**

The RFO was performing the annual Alpha closedown exercise during the course of our visit, which was undertaken shortly after the 31<sup>st</sup> March 2015 year-end.

Subsequently, we have checked the Annual Return working detail reports to the closing underlying Trial Balance for 2014-15, also noting the continued quality of supporting documentation provided for our review.

We are pleased to note that, unlike prior years, there were no issues arising to warrant further amendment (two minor journals being agreed with the Finance Officer for entry in 2015-16) and we have duly “signed off” the Internal Audit Certificate at Section 4 of the Annual Return, leaving the original to be completed at Sections 1 & 2 and submitted to members in due course.

### ***Conclusions***

*No matters have been identified warranting formal comment or recommendation.*