
Heytesbury, Imber & Knook Parish Council

Internal Audit Report 2014-15

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Background and Scope

The Accounts and Audit Arrangements introduced from 1st April 2001 require all Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. This report records the results of our review of the Council's accounting transactions and other relevant records for the financial year 2014-15.

We have completed our review of the Council's transactions for 2014-15 in line with the requirements of the Internal Audit Certificate embodied in the Annual Return and Practitioners Guide on Governance and Accountability.

Internal Audit approach

In undertaking our review, we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts. Due to the low number of annual transactions, we have again employed direct substantive testing techniques, whilst also focusing on any areas where significant or material changes have arisen in income or expenditure levels in recent years.

This report summarises our conclusions on each of the key areas covered by the annual Internal Audit Certificate.

Overall Conclusion

Overall, we are pleased to conclude that the Council continues to have effective systems in place to ensure that transactions are accurately reflected in the Statement of Accounts with no significant issues identified. On the basis of the work undertaken, we have 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

The Clerk has continued to maintain a hand written cashbook to record detail of the year's financial transactions. We consider this to be perfectly appropriate given the relatively low number of annual transactions.

We are pleased to note that the cashbook has been formally balanced at the year-end to identify the carry forward balances with a formal bank reconciliation also prepared.

We note that the balance on the Village Hall account, which was closed by HSBC (£4,596.81), was transferred into the Council's balances during the year.

Conclusions

No issues have been identified in this area this year.

Review of Corporate Governance

We are pleased to note that the Council has reviewed its extant Standing Orders and Financial Regulations, re-adopting the documents at the Council meeting in April 2013 and April 2014 respectively. Our review of the documents noted that the tender limits appear to be different (£60k per the Standing Orders and £2.5k in the Financial Regulations).

We have continued our review of the Council's minutes for the financial year to determine whether or not any issues exist or may be developing of a financial or legal nature that may impact on the audit opinion or the future financial stability of the Council; also, to ensure that the Council has operated within its legal limitations.

Conclusions and recommendation

We are pleased to report that no significant issues have been identified in this area, although the Council needs to ensure that a consistent value is set out in its governance documentation. Given the level of the Council's annual precept and spending, the NALC model document value of £60k is considered too high and we would suggest that a more appropriate value of between £5,000 and £10,000 would be more appropriate.

R1. The limit for formal tender action should be reviewed and set at an appropriate level, as indicated in the body of the report, and be consistently recorded in both the Council's Standing Orders and Financial Regulations.

Review of Payments

All payments made during the course of the year were examined to ensure that the following criteria were met: -

- ❖ Payments were supported by a trade invoice or acknowledgement of receipt;
- ❖ VAT has been calculated correctly and is recovered at appropriate intervals;

- ❖ The Council at a Council meeting approved each payment; and
- ❖ Payments have been correctly analysed in preparation of the year-end Statement of Accounts.

We are pleased to note that all items of expenditure during 2014-15 met the above criteria. We also note that a VAT reclaim was made on 18th February 2015 for £324.28 covering all of 2014-15.

Conclusions

No issues have been identified in this area this year.

Assessment and Management of Risk

We note in the background papers provided for our examination that the Council has again produced a formal risk assessment document and are pleased to note that it was formally ratified at the Council's meeting on 27th May 2014.

Insurance cover has been maintained with Aon, which, from our examination of the schedule, appropriate cover appears to be in place to meet the Council's present needs.

Conclusions

No issues have been identified in this area this year.

Budgetary Control and Reserves

Council minutes provide indication that the precept has been formally discussed and agreed by the Council; also that it has been set based on spending assumptions across the Council's activities. We are pleased to note that the 2015-16 budget was formally discussed by members and a precept level formally approved by the Council at £9,200 at the November 2014 Council meeting.

We are also pleased to note that the Clerk continues to provide members with regular updates on the level of bank balances held.

We have again examined the level of year-end funds available to the Council and note that overall reserves have again increased and now stand at £16,149 (£12,233 as at 31st March 2014). Good practice guidance indicates that Councils hold between three and six months of the normal revenue expenditure in General Fund balances, which, based on 2014-15 expenditure, indicates a retained balance requirement of between £2,603 and £5,206.

We are not aware that any of these balances are ear marked for future projects, but note that the Council reduced the precept request for 2015-16 following our previous comment in this respect. We also note that 2014-15 receipts and consequently the balance are artificially high as they include the £4k transferred from the dormant village hall bank account.

Conclusions

No significant issues arise in this area of our review, although we again suggest that members heed to continue to consider the level of annual precept requirement in the light of the level of retained balances.

Review of Income

The Council receives income from relatively limited sources, including the annual precept, grants and bank interest. We have agreed detail of income recorded in the cashbook to such supporting records as are available and to bank statements and bank deposit slips.

Conclusions

No issue arise from our review of income.

Petty Cash Account

The Council does not operate a petty cash account, any out-of-pocket expenses incurred by the Clerk being paid through the normal trader payment approval procedures.

Salaries and Wages

We have checked and agreed the clerk's salary payments in the year to the approved scale fee and hours of employment, noting the changes to hours in November 2014 and the increase to the SCP from January 2015.

We have also reviewed the new clerk's contract of employment noting that it includes the rate of pay, hours of work and is signed. We also note that the Council does not operate a PAYE scheme with the clerk notifying HMRC of the annual salary earned.

Conclusions

No issues have been identified in this area this year.

Asset Registers

The Governance and Accountability manual – “The Practitioner's Guide” requires all councils to maintain a record of all assets owned. We are pleased to note compliance with this requirement with the Clerk maintaining an appropriate register. We have checked and agreed detail as recorded in the Asset Register to the insurance schedule with no issues arising in that respect and also verified that the asset value reported in the year's Annual Return is in line with extant reporting requirements.

Conclusions

No issues were identified in this area.

Investments and Loans

The Council holds no investments, nor are any loans in existence repayable by or to the Council.

Statement of Accounts and Annual Return

We are pleased to note that the Clerk has again prepared a formal Statement of Accounts with Supporting Statements / Notes in order to provide electors with information on the Council's financial affairs.

We have examined the content of these Statements agreeing detail to the underlying cashbook and other records with no issues arising. We have also, consequently, verified the accurate disclosure of values in the Annual Return at Section 1.

Conclusions

No issues have been identified in this area of our review and we have, consequently, signed off the Internal Audit Certificate in the Annual Return assigning positive assurances in each relevant area.

| Rec. No. | Recommendation | Response |
|-----------------------------|--|----------|
| Corporate Governance | | |
| R1 | The limit for formal tender action should be reviewed and set at an appropriate level, as indicated in the body of the report, and be consistently recorded in both the Council's Standing Orders and Financial Regulations. | |