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# **Heytesbury, Imber & Knook Parish Council**

*Internal Audit Report 2015-16*

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## **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 previously provided this service the Council and was re-appointed for 2015-16.

## **Internal Audit Approach**

In undertaking the review for the year, we have had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts/Annual Return. Our programme of cover has been designed to afford appropriate assurance that the Council's financial systems remain 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 '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 satisfactory conclusion of our annual programme of work, the Council has maintained adequate and effective internal control arrangements, with no significant issues identified, although we have identified a few recommendations where we consider that the Council's governance arrangements require update and expansion to meet current legislative requirements.

We have completed and signed the 'Internal Audit Report' in the year's Annual Return, having concluded that, in all significant respects, the control objectives set out in that Report were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

## 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 are also pleased to note the Council's intention that, in line with the reviewed and updated Financial Regulations, a nominated Councillor will be responsible for verifying the bank reconciliation on a regular basis.

We have consequently reviewed all transactions, as recorded in the cashbook, agreeing detail to the underlying bank statements and also verifying the accuracy of the year-end bank reconciliation and recording of the year-end balance in the Annual Return.

#### *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 documents in line with the NALC models at the Council meeting in March 2016. However, our review of the documents noted that the tender limits differ (£60k per the Standing Orders and £3k in the Financial Regulations).

We also draw the Clerk's attention to the change in EU legislation effective from 1<sup>st</sup> April 2015 that now requires, inter alia, all councils to formally advertise any contracts with a value in excess of £25,000 on the Government's "Contract Finder" website. Whilst we appreciate that the Council may be unlikely to be directly affected by this at the present time, we have provided the Clerk with copies of recent NALC guidance on the topic, together with the latest revision to the model FRs, which takes account of these changes and was issued in January 2016.

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.

The requirements of the Transparency Code became mandatory for smaller councils from 1<sup>st</sup> April 2015. For a Council of under £25,000 turnover, the Code requires the following to be published on a publicly available website:

- Annual return
- Internal audit report
- Payments over £100
- Year end accounts
- Assets

- Councillor's responsibilities
- Minutes and agendas

Review of the Council's website (<http://www.heytesburyparish.co.uk/ParishCouncil.htm>) has identified that not all of these items are present. In the model publication link it states that the Annual Return, audit reports, year-end accounts and asset register can be obtained in "hard copy – contact clerk".

Paragraph 32 of the Transparency Code for Smaller Authorities (DCLG December 2014) states that: "The data and information specified in this code must be published on a website which is publicly accessible free of charge".

### ***Conclusions and recommendations***

***Whilst no significant areas of concern have been identified in this area this year we consider that the Council needs to ensure consistency in its governance documentation and ensure that it complies with extant legislation.***

- R1. *The Council should ensure that tender limits are reviewed and standardised between the Standing Orders and Financial Regulations ideally adhering to the lower of the current two values which is appropriate for a Council of this size.*
- R2. *The Council should ensure that it has met all of the requirements of the Transparency Code with all of the required information published on its website.*

## **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 the financial year met the above criteria with the exception of one payment for which only a quote was available for our examination rather than the invoice.

We note that a VAT reclaim was made on 21<sup>st</sup> January 2016 for £240.39 for expenditure incurred in 2015-16 to that date. There were two further payments in the year on which VAT were incurred which should be included in the next reclaim.

### ***Conclusions***

***No issues have been identified in this area this year.***

## Assessment and Management of Risk

We note from our review of minutes that the Council again produced a formal risk assessment document, which was formally ratified at the Council's meeting on 29<sup>th</sup> March 2016.

Insurance cover has been provided by Aon, which, from our examination of the schedule, appears appropriate for the Council's 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. We are pleased to note that the 2016-17 budget was formally discussed by members and a precept level formally approved by the Council at £9,050 at the November 2015 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 increased marginally and stand at £16,437 (£16,149 as at 31<sup>st</sup> March 2015). Good practice guidance indicates that Councils hold between three and six months of the normal revenue expenditure in General Fund balances, which, based on 2015-16 expenditure, indicates a retained balance requirement of between £2,289 and £4,579. We are not aware that any of these balances are earmarked for specific future projects.

We have made a similar observation in the last two years and note that the Council has accordingly reduced the precept request for 2016-17. Even so, the balances still remain significantly higher than the good practice guidance.

### *Conclusions and recommendation*

*As indicated above, the Council needs to either reduce its precept further in order to reduce balances or identify specific projects for which funds will be required and could be "earmarked".*

*R3. The Council should either consider a further reduction in future years' annual precepts or "earmark" part of the total fund balance for specific projects.*

## 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 the clerk's salary payments in the year to the approved scale fee and hours of employment, noting the changes to hours in May 2015. The clerk's monthly payments indicate an increase in salary scale of one spinal column point, although we have seen no documentary evidence that this was discussed and approved at a Council meeting.

We note that the Council does not operate a PAYE scheme with the clerk notifying HMRC of the annual salary earned.

### ***Conclusions and recommendations***

*Whilst no significant issues arise in this area, best practice suggests that the Council's minutes should identify formally any increases in the clerk's salary.*

*R4. Any changes to employees' salary or hours of work should be formally minuted as approved at a Council meeting.*

## **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 reviewed the one addition in year and verified that it was correctly added to the asset register and total assets on the Annual Return at purchase cost net of VAT.

### ***Conclusions***

*No issues arise in this area warranting comment or recommendation.*

## **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 and cross checked them to the cashbook with no issues arising. We have similarly verified the accurate transfer of detail to the year's Annual Return.

### ***Conclusions***

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

Rec. No.	Recommendation	Response
<b>Corporate Governance</b>		
R1	The Council should ensure that tender limits are reviewed and standardised between the Standing Orders and Financial Regulations ideally adhering to the lower of the current two values which is appropriate for a Council of this size.	
R2	The Council should ensure that it has met all of the requirements of the Transparency Code with all of the required information published on its website.	
<b>Budgetary Control and Reserves</b>		
R3	The Council should either consider a further reduction in future years' annual precepts or "earmark" part of the total fund balance for specific projects.	
<b>Salaries and Wages</b>		
R4	Any changes to employees' salary or hours of work should be formally minuted as approved at a Council meeting.	