

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

*Internal Audit Report 2018-19*

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*For and on behalf of*  
*Auditing Solutions Ltd*

## **Background**

Statute requires all town and parish councils to arrange 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.

This report sets out the work undertaken in relation to the 2018-19 financial year, which took place on the 14<sup>th</sup> May 2019.

## **Internal Audit Approach**

In undertaking our review for the year, 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 / Annual Return. Our programme of cover is designed to afford appropriate assurance that the Council has appropriate and robust financial systems in place that 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' as part of the Council's Annual Governance and Accountability Return (AGAR) process, which requires independent assurance over a number of internal control objectives.

## **Overall Conclusion**

We have concluded that, based on the satisfactory completion of our programme of work for the year, the Council has again maintained adequate and effective internal control arrangements. We are pleased to report that only one issue arose this year warranting a recommendation. This is detailed in the body of our report and further described in the appended Action Plan.

We have therefore, completed and signed the 'Internal Audit Report', having concluded that the control objectives set out in that Report have been achieved within the financial year to a standard adequate to meet the needs of the Council.

We would like to take this opportunity to commend the Clerk & RFO on the clear and consistent manner in which the Council's financial and governance records have been presented for audit.

## Detailed Report

### Maintenance of Accounting Records & Bank reconciliations

Our objective in this area is to ensure that accounting records are being maintained accurately and currently and that no anomalous entries appear in the spreadsheet cashbooks maintained by the Clerk. Three accounts are in operation with Lloyds Bank, two relating directly to the Council, and one maintained for the Village Hall Fund. We have undertaken the following checks:

- Verified the opening balance recorded in the April 2018 cashbook to that recorded in the closing Accounts and certified Annual Return for 2017-18;
- Ensured that appropriate analysis of receipts and payments exists to facilitate budget performance reporting and management throughout the year;
- Verified the detail of the full year's transactions on the Current and Deposit Account cashbook detail, plus that for the Village Hall Fund to supporting bank statements;
- Verified all inter-account transfers on the accounts for the year;
- Verified bank reconciliation detail on the Council's Current, Deposit and Village Hall Fund accounts cashbook detail from the 1<sup>st</sup> April 2018 to the 31<sup>st</sup> March 2019.
- Ensured the accurate disclosure of the combined balances in the Annual Return for 2018-19; and,
- Noted that the Council received a qualified External Audit report for FY 2017-18 as it had: "failed to make proper provision during the year 2017/18 for the exercise of public rights, since the approval date was after the start of the period for the exercise of public rights."

#### *Conclusions*

*There are no issues arising in this area of our review warranting formal comment or recommendation.*

### Review of Corporate Governance

We are pleased to note that the Council has reviewed and adopted revised its Standing Orders and Financial Regulations in line with the latest NALC and readopted these during the Annual Meeting of the Parish Council in May 2018.

We have reviewed the Council's minutes for the financial year to determine whether or not any issues exist, or be developing, of a financial or legal nature that may impact on the audit opinion or the future financial stability of the Council. We have also ensured that, as far as we may reasonably be expected to ascertain, the Council has operated within its legal limitations.

We note that the council adopted the General Power of Competence in the Annual meeting of the Full Council, in May 2018, under minute refence PC/18/12.

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, including external audit certificate and any supplementary report
- Internal audit report
- Payments over £100
- Year end accounts
- Asset Register
- Councillor's responsibilities
- Minutes and agendas

We are pleased to note that the Council's website continues to publish all relevant items.

### ***Conclusions***

***There are no issues arising in this area of our review warranting formal comment or recommendation.***

## **Review of Payments**

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Payments are supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and/or an acknowledgement of receipt, where no other form of invoice is available;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense codes have been applied to invoices when processed; and,
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have reviewed the procedures in place for receiving, checking for authenticity and accurate detail recording, processing by the RFO and formal approval for payment by members. We note that all payment documents now have a voucher attached to them. This contains the net, VAT and gross details, cheque number, minute number and the signatures / initials to two members. The Invoice / Payment document is also initialled by the two members of the council.

In order to ensure compliance with the above criteria and due to their relatively low number, we have examined all payments processed in the financial year for compliance with the above criteria and are pleased to report that no issues have arisen from testing in this area.

### ***Conclusions***

***There are no issues arising in this area of our review warranting 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 to minimise the opportunity for their coming to fruition. We have: -

- Examined the Council's current year insurance policy with the Local Councils Policy, brokered by BHIB and underwritten by Aviva ensuring that appropriate cover is in place: with both Public Liability and Employer's Liability set at £10 million, Officials Indemnity at £500,000, Fidelity Guarantee at £250,000, Liable & Slander at £250,000 and Legal Expenses cover of £250,000 we consider cover appropriate for the Council's present requirements;
- Noted that the Council's risk assessment was completed, and has been reviewed by members during the 2018-19 financial year, however, there is no record of the Council's Risk Registers were not formally adopted at any Council meeting in its Minutes which is a statutory requirement; and,
- Noted that the Council's play grounds and recreational areas continue to be inspected on an annual basis by RoSPA.

### **Conclusions**

***We have noted that there is clear evidence that the Council's Risk Registers were reviewed during the 2018-19. However, there is no record of the revised registers being formally adopted at a meeting of the Council and that adoption being properly recorded in the council's minutes which is a statutory requirement.***

*R1. The Clerk and Members must ensure that the Council's Risk Registers are reviewed at least once annually, formally adopted in a meeting of the Full Council and the adoption recorded in the minutes of the meeting. We suggest that such adoption should take place in the Annual meeting of the Parish Council.*

## **Budgetary Control and Reserves**

We are pleased to note that Members undertook a robust Budget setting and Precept determination process during the 2018-19 financial year, and that the 2019-20 Budget and Precept were formally approved by the Council, the latter being set at £11,872 at the January 2019 meeting of the Full Council under Minute reference 18/97.4.

We are also pleased to note that members receive regular budget performance reports 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 decreased marginally and stand at £11,223.05 (£11,507 as at 31<sup>st</sup> March 2018), including a designated earmarked reserve in the amount of £4,597 pertaining to the Village Hall Fund leaving a General Reserve figure of £6,627 (£6,910 as at 31<sup>st</sup> March 2018). This balance equates to just over four-and-a-half months' revenue spending at present levels, in line with the generally recognised CiPFA guideline of between three, and six months' revenue spending annually and an appropriate level of reserve for a council of this size.

### **Conclusions**

***There are no issues arising in this area this year warranting formal comment or recommendation.***

## 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.

We also note that the Council continues to maintain the £4,597 'ring-fenced' funds, in a designated Earmarked reserve for the provision of any new Village Hall in future years. The funds are invested in a separate bank account.

### *Conclusions*

*There are no issues arising in this area this year warranting formal comment or recommendation.*

## 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. Subsequently, there are no issues arising in this area of our review warranting formal comment or recommendation.*

## Salaries and Wages

We note that there have been no staff changes during the 2018-19 financial year. Consequently, we have checked the clerk's salary payments in the year to the approved salary and hours of employment, ensuring that detail is in accord with that in the Clerk's employment contract noting.

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, noting that the clerk is currently not contributing to the pension fund.

The new Clerk prepares the Council's payroll using the HMRC Basic PAYE Tools on-line software: we have consequently checked detail of her gross monthly salary paid to date in the current year, also verifying the tax and NI deductions applied to the October 2018 (and prior months) salary records.

### *Conclusions*

*There are no issues arising in this area of our review warranting formal comment or recommendation.*

## Asset Registers

The Governance and Accountability Manual 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 register ensuring that any in-year acquisitions have been correctly added to the register and are accurately disclosed in the Annual Return at purchase cost net of VAT, and have agreed the recorded Fixed Asset Register value of £94,269.

### **Conclusions**

*There are no issues arising in this area this year warranting formal comment or recommendation.*

## **Investments and Loans**

The Council has no investments, nor any loan repayable either by it, or to it.

*There are no issues arising in this area of our review warranting formal comment or recommendation. However, we take this opportunity, once again, to remind members of the Statutory Guidance on Local Government Investments from the 1<sup>st</sup> April 2018-19 which strongly encourages all parish councils to develop an investment strategy, providing their total investments exceed or are expected to exceed £10,000 at any time during the financial year.*

*Members may also wish to consider transferring the £4,957 funds held in a non-interest bearing bank account into an interest bearing account such as the CCLA Public Sector Deposit fund for example.*

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

The Accounts and Audit Regulations, as amended periodically, require all councils to prepare annually a Statement of Accounts, which is now in the form of the Annual Governance and Accountability Return at Section 2, which is, together with the Annual Governance Statement at Section 1, subject to independent external audit examination and certification.

As part of our review process, we have examined the Council's procedures in relation to the identification of detail for inclusion in Section 2 of the Return, which is generated automatically by the Rialtas accounting software, and is used by the Clerk & RFO to provide a detailed set of accounting statements. We have agreed detail therein to Section 2 of the 2018-19 Annual Governance and Accountability Return.

### **Conclusions**

*We are pleased to record that no issues arise in this area and, on the basis of the work undertaken during the course of our review for the year, we have "signed off" the Internal Audit Report in the year's Annual Governance and Accountability Return assigning positive assurances in all areas.*

Rec. No.	Recommendation	Response
<b>Review of Assessment and Management of Risk</b>		
R1	The Clerk and Members must ensure that the Council's Risk Registers are reviewed at least once annually, formally adopted in a meeting of the Full Council and the adoption recorded in the minutes of the meeting. We suggest that such adoption should take place in the Annual meeting of the Parish Council.	