

Public Sector Audit

Saxby All Saints Parish Council

Internal Audit Report for the year ended 31 March 2017

Public Sector Audit

Saxby All Saints Parish Council

Internal Audit Report for the year ended 31 March 2017

Introduction

Part 2, paragraph 5 (1) of the Accounts and Audit Regulations 2015 imposes a duty on Local Councils to “undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

Internal audit is a key component of the system of internal control. The purpose of internal audit is to review whether the systems of financial and other controls over a council's activities and operating procedures are effective.

At the request of the council I have conducted an Internal Audit review of the council's accounting records in respect of the financial year ended 31 March 2017. I have acted independently and, on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in place during the financial year.

The audit has been carried out in accordance with the council's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions and recommendations have been recorded in the table below.

Prioritisation of recommendations

In accordance with good internal audit reporting practice and the Governance and Accountability for Local Councils Practitioners Guide, the recommendations contained in this report have been prioritised. The following 'traffic light' system for the prioritisation of recommendations has been adopted:

- Significant weakness in internal control requiring urgent attention.
- Moderate weakness in internal control requiring attention within the current year.
- Minor weakness in internal control, or matters of good practice the council may wish to consider, to be addressed within the current year.

Distribution List

Chairman of the Council

All members of the Council

Clerk to the Council

The findings of the audit are summarised below

	Tests Performed	Findings and Recommendations
1	Have appropriate books of account been properly maintained throughout the year?	<p><u>Appropriate accounting records</u></p> <p>Findings The cash book is maintained on spreadsheets which are sufficiently well analysed to provide all of the information required for the completion of the Annual Return.</p> <p>It is arithmetically correct and has been balanced bi-monthly since September 2016, and at the end of 2016/17 was balanced monthly, as evidenced by detailed bank reconciliations.</p>
2	Have the council's Financial Regulations and Standing Orders been formally adopted and complied with?	<p><u>Adherence to Financial Regulations and Standing Orders</u></p> <p>Findings The council's Standing Orders and Financial Regulations, which reflect the latest NALC models, were reviewed and approved at the council meeting held on the 13th July 2016.</p>
3	<p>Are payment controls effective and VAT properly accounted for?</p> <p>Has the council recorded s137 expenditure separately and is it within the statutory limit?</p>	<p><u>Adequate payment controls</u></p> <p>Findings I have tested all council payments during the year to ensure that there is a fully approved and authorised invoice, the payment appears in the bank account and that it has been authorised by council.</p> <p>I have reviewed payments for occurrence, completeness, accuracy, correct year of account and classification within the council's accounts.</p> <p>I have not identified any expenditure for unusual items or payments which may be ultra vires.</p> <p>VAT has been identified, correctly recorded and reclaimed.</p> <p>A separate account has been established for s.137 expenditure. Expenditure during the year is appropriate and within the statutory limit.</p>

		<p>The two signature rule has been observed and evidenced by the initialling of the cheque stubs.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● It should never be assumed that registration for VAT purposes means that <i>all</i> value added tax can be recovered. Owing to the complexity of VAT legislation, it is recommended that advice be sought from HMRC when any new projects are undertaken, significant capital expenditure is being considered or any new matters arise.
4	<p>Has the council assessed the significant risks in delivering its activities and services and regularly reviewed the adequacy of these assessments?</p> <p>Is insurance cover appropriate and adequate?</p> <p>Are financial controls documented and regularly reviewed?</p>	<p><u>Assessment of significant risks</u></p> <p>Findings</p> <p>The council maintains a formal Risk Register which was reviewed and adopted at the council meeting held on the 12th April 2017.</p> <p>The council owns a notice board, two bus shelters, a telephone box and a planter. Regular inspections of all council owned assets are undertaken by two council members.</p> <p>I have reviewed the council's insurances and all indemnity limits are adequate. It is noted that the insurance cover for all council owned assets is limited to £10,000.</p> <p>The council ensures that its electronic records are protected by backing up all electronic information monthly onto alternate hard drives, one of which is always stored offsite.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● In view of the council's ownership of the War Memorial it may wish to review the £10,000 limit for assets when the policy is renewed in June 2017.
5	<p>Has the annual precept requirement resulted from an adequate budgetary process?</p> <p>Has progress against budget been regularly monitored and reported?</p>	<p><u>Adequate budgetary process</u></p> <p>Findings</p> <p>The council has prepared an annual budget in support of its precept.</p> <p>The Council Tax Authority's precept remittance advice agrees to the income received and the cash book. Budget monitoring reports, which compare original budget to actual expenditure to date, have been prepared</p>

	Are reserves adequate and appropriate?	<p>since the new Clerk commenced her employment. Since January 2017 they have been presented to each council meeting.</p> <p>The council's balances totalled £2,315 at 31/03/17, comprising £757 which has been earmarked for Transparency Code purposes and a £1,558 general reserve.</p> <p>The level of general reserve, which equates to 40% of the 2016/17 precept and grant, is considered to be both adequate and prudent.</p>
6	<p>Was all expected income fully received in accordance with the current scale of charges, properly accounted for and promptly banked?</p> <p>Were security controls over cash and cash equivalents effective?</p>	<p><u>Adequate income controls</u></p> <p>Findings</p> <p>Apart from the Precept and Council Tax Grant the council also received income in respect of two VAT refund claims, Transparency Code funding, a grant in respect of the Queen's birthday celebrations and a small amount of bank interest.</p> <p>All income has been properly recorded.</p>
7	<p>Were petty cash payments appropriate and supported by receipts?</p> <p>Was all expenditure approved and reported to members?</p> <p>Has VAT been correctly accounted for?</p>	<p><u>Appropriate petty cash controls</u></p> <p>Findings</p> <p>The council does not maintain a petty cash system.</p> <p>Any small items of expenditure are reimbursed to the Clerk together with her salary payments as part of the normal payment process.</p> <p>VAT has been correctly accounted for. All expenditure is reported to and authorised by council.</p>
8	<p>Do all employees have contracts of employment with clear terms and conditions?</p> <p>Are salaries to employees and all other payments and allowances paid in accordance with council approvals?</p>	<p><u>Adequate payroll controls</u></p> <p>Findings</p> <p>The council's only employee is the Clerk and she has a formal contract of employment with clear terms and conditions.</p> <p>I have agreed all salary and allowances payments to the present Clerk to those approved by the council, including any changes during the year.</p>

	<p>Has PAYE and NI been correctly deducted and paid to HMRC?</p>	<p>The contract of employment for the previous Clerk was not available to audit and I have been unable, therefore, to verify the salary payments made between April and July 2016. It was noted that the previous Clerk's pay scale point was increased by one increment in June 2016 but a council minute authorising this could not be found.</p> <p>Salary payments have been subject to PAYE and NI regulations.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● Contracts of Employment should be retained by the council for audit and verification purposes. ● All changes to employee's terms and conditions of employment must be approved by the council and minuted accordingly. ● HMRC requires employers to submit annual declarations of certain expenses and benefits paid to employees. For example, an employer providing homeworking expenses for its employees has certain tax, National Insurance and reporting obligations. The council should ensure, therefore, that all HMRC guidance is followed and the necessary returns are submitted prior to the statutory deadline. More information in relation to this can be found on "gov.uk/annual reporting and tasks/expenses and benefits." The council's use of a payroll provider should ensure that these requirements are complied with.
9	<p>Is the asset and investment register complete and accurate and reviewed on a regular basis?</p>	<p><u>Appropriate recording of assets</u></p> <p>Findings</p> <p>The council maintains a register, in the form of a spread sheet, of all material assets owned or in its care.</p> <p>The basis of valuation of the assets shown in the register is cost, where known, in accordance with the guidelines on the Annual Return.</p> <p>I have reviewed the register and confirm that it has been updated to reflect additions during the year. The council does not hold any investments.</p> <p>The total value shown on the asset register agrees to box 9, section 1 of the Annual Return.</p>

10	<p>Were bank reconciliations performed on a regular and timely basis? Has a year-end reconciliation been performed and balanced?</p> <p>Have all bank reconciliations been reviewed by an appointed member and evidenced as such?</p>	<p><u>Adequate bank reconciliations</u></p> <p>Findings Bank reconciliations have been performed for the periods ended April and November 2016 and monthly for 2017. They have been presented to each full council meeting and authorised by the Chairman.</p> <p>There are no unexplained balancing entries in the reconciliations.</p>
11	<p>Were the year-end accounts prepared on the correct accounting basis and are they supported by adequate working papers and adjustments, transfers, contra entries etc. which are fully explained and justified?</p> <p>Is there is an adequate audit trail from underlying records and, where appropriate, have debtors and creditors been properly accounted for?</p> <p>Has the previous year's Internal Audit Report been submitted to council and actioned as necessary?</p>	<p><u>Correct accounting basis and previous Internal Audit Report actioned</u></p> <p>Findings The year-end statements have been prepared on the correct accounting basis (Receipts and Payments) and, therefore, debtors and creditors have not been included.</p> <p>The statements agree with the cashbook.</p> <p>There is an audit trail from underlying financial records to the year-end statements.</p> <p>The previous Clerk reported to council in May 2016 that "the Internal Audit had gone well".</p>
12	<p>Has the council met its responsibilities as a trustee?</p>	<p><u>Trustee responsibilities</u></p> <p>Findings</p>

		I have seen no evidence that the council has responsibility for Trust Funds and the Clerk has confirmed that this is the case.
13	Are council's minutes maintained in accordance with legislative requirements?	<p><u>Correct maintenance of council minutes</u></p> <p>Findings</p> <p>The minutes provided to audit cover the whole year and are maintained in a loose leaf format.</p> <p>Each page of the minutes is signed and dated by a person presiding thereat.</p> <p>Each loose leaf of the minutes is consecutively numbered as required by Schedule 12.41(1) of the Local Government Act 1972.</p>

Executive Summary

Since the employment of the new Clerk the accounts and governance arrangements of the council have been maintained to a high standard. The assistance of the Clerk in the completion of this audit was much appreciated and her hard work in re-creating the council's financial records is acknowledged.

The internal financial control environment within the council is good and the adoption of the above minor recommendations will serve to further enhance and strengthen the systems, procedures and governance arrangements already in place.

The Internal Audit has been conducted in accordance with the Governance and Accountability for Local Councils – Practitioners Guide 2016.

I confirm that I have no relationship or interest, financial or otherwise, with any member or officer of the council.

Richard Dixon

Public Sector Audit

28th April 2017

Public Sector Audit