

Public Sector Audit

Saxby All Saints Parish Council

Internal Audit Report for the year ended 31 March 2019

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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 2019. 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.

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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

	Test	Findings and Recommendations
1	Have appropriate books of account been properly maintained throughout the year?	<p><u>Appropriate accounting records</u></p> <p>Findings</p> <p>The cash book is maintained on spreadsheets which are comprehensively analysed and provide all of the information required for the completion of the Annual Governance and Accountability Return.</p> <p>It is arithmetically correct and has been 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</p> <p>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 9th May 2018.</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</p> <p>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 cash book and that it has been authorised by council.</p> <p>I have reviewed payments for occurrence, completeness, accuracy, correct year of account and classification.</p> <p>I have confirmed that VAT has been identified, correctly recorded and reclaimed.</p> <p>A separate account has been established for s137 expenditure and the £400 donation made during the year is well within the statutory limit.</p> <p>The two signature rule has been observed and evidenced by the signatories initialling the cheque stubs.</p>

		<p>The issue of councils requiring a licence if they play recorded music in public has recently been raised. It is NALC's view that a council will be obliged to pay for a PPL PRS Music Licence if it plays recorded music in public.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● Following the release of a briefing note (LO1-18) from NALC last year, the council needs to be aware that section 8 of the 1894 Local Government Act prohibits a Parish Council from incurring expenditure on "property relating to the affairs of the church or held for an ecclesiastical charity". It is NALC's view that this prohibition still applies and is not overridden by the general provisions of section 137 of the 1972 Local Government Act. Section 137 expressly provides that expenditure cannot be incurred for purposes which are subject to a statutory prohibition, restriction or limitation and cannot, therefore, be used for the maintenance or upkeep of property or land owned by the church. ● If the council plays recorded music in public it may wish to enquire whether a licence fee is payable to PPS PRS Ltd. Further information can be found at "www.gov.uk/licence-to-play-live-or-recorded-music" ● 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><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 9th May 2018.</p> <p>The council owns a War Memorial, notice board, a bus shelter, a telephone box and sundry items of street furniture. Regular inspections of all council owned assets are undertaken by two council members.</p>

	<p>Are financial controls documented and regularly reviewed?</p>	<p>I have reviewed the council's insurances and all indemnity limits are adequate.</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. Also, the council's data is backed up daily using a UK based cloud storage provider.</p>
5	<p>Has the annual precept requirement resulted from an adequate budgetary process?</p> <p>Has progress against budget been regularly monitored and reported and were reserves appropriate?</p>	<p><u>Adequate budgetary process</u></p> <p>Findings</p> <p>The council prepared a detailed 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.</p> <p>Budget monitoring reports, which compare original budget to actual expenditure to date, have been presented to each council meeting.</p> <p>The council's balances totalled £2,506 at 31/03/19, comprising £351, which is earmarked for Transparency Code purposes, and a general reserve of £2,155. The general reserve, which equates to £43% of the 2018/19 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 and a VAT refund, the council also received grants from NLC for Winter in bloom, WW1 commemorations and parish paths.</p> <p>Documentation has been agreed to all income during the year and it has been properly accounted for in the council's records.</p> <p>During discussions with other Town and Parish Councils during the year it has become apparent that the Clerks of some councils have received different and sometimes conflicting advice from consultants in respect</p>

		<p>of charging VAT on some council services.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● VAT is extremely complex and if the council is in any doubt about the correct VAT treatment in respect of providing goods or services to the public, detailed advice and guidance on the council's specific situation should be sought from HMRC.
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>Has PAYE and NI been correctly deducted and paid to HMRC?</p>	<p><u>Adequate payroll controls</u></p> <p>Findings</p> <p>The Clerk has a formal contract of employment with clear terms and conditions.</p> <p>I have agreed all salary and allowances payments to the Clerk to those approved by the council, the 2018 NJC pay award and a formal salary review during the year.</p> <p>Salary payments have been subject to PAYE and NI regulations during the year.</p>

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, for 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 Governance and Accountability Return.</p> <p>New purchases made during the year have been correctly added to the register.</p> <p>The council does not hold any investments.</p> <p>The total value shown on the asset register agrees to box 9, section 2 of the Accounting Statements.</p>
10	<p>Were bank reconciliations performed on a regular and timely basis?</p> <p>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</p> <p>Bank reconciliations have been presented to council each month and have been authorised and dated by the Chairman.</p> <p>There are no unexplained balancing entries in the reconciliations.</p>
11	<p>Were year-end accounts prepared on the correct accounting basis and supported by adequate working papers and adjustments, transfers, contra entries etc. which are fully</p>	<p><u>Correct accounting basis and previous Internal Audit Report actioned</u></p> <p>Findings</p> <p>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>explained and justified?</p> <p>Is there an adequate audit trail from underlying records and where appropriate have debtors and creditors have been properly accounted for?</p> <p>Has the previous year's Internal Audit Report been submitted to council and actioned as necessary?</p>	<p>The statements agree with the cash book and there is an audit trail from underlying financial records to the year-end statements.</p> <p>The 2017/18 Internal Audit Report was presented to council on the 9th May 2018. The recommendations were noted and approved.</p>
12	Has the council met its responsibilities as a trustee?	<p><u>Trustee responsibilities</u></p> <p>Findings</p> <p>I have seen no evidence that the council has responsibility for Trust Funds and the Clerk has confirmed that this is the case.</p>
13	If the council certified itself as exempt from an External Audit Limited Assurance Review last year, has it met the exemption criteria and correctly declared itself exempt?	<p><u>Exemption Certificate</u></p> <p>Findings</p> <p>Section 2, Accounting Statements, of the Annual Governance and Accounting Return Part 2, identified that the council's gross income for last year or gross annual expenditure for the year did not exceed £25,000.</p> <p>The Clerk has confirmed that the exemption criteria identified on the Certification of Exemption for last year were fully met by the council.</p>
14	Are the 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 has been signed and dated by the 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>
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Executive Summary

The accounts and governance arrangements of the council have been maintained to a very high standard and the co-operation of the Clerk of the council in the completion of this audit was much appreciated.

The internal financial control environment within the council is excellent and the consideration of the above advisory notes 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 2018.

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

Richard Dixon

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23rd April 2019

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