

Public Sector Audit

Saxby All Saints Parish Council

Internal Audit Report for the year ended 31 March 2018

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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 2018. 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: Page | 3

- 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 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 10th May 2017.</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 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 not identified any expenditure for unusual items or payments which may be ultra vires.</p> <p>I have checked that VAT has been identified, correctly recorded and reclaimed. It was noted that on one occasion an official VAT invoice was not obtained and VAT has been included in the reclaim from HMRC.</p> <p>A separate account has been established for s137 expenditure and expenditure during the year is appropriate and within the statutory limit.</p>

		<p>The two signature rule has been observed and evidenced by the signatories initialling the cheque stubs.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● VAT should only be reclaimed when the council is in possession of an official VAT invoice. ● 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 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>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 backs up daily using a UK based cloud storage provider.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● On the 25th May 2018 the General Data Protection Regulation (GDPR) will come into effect. This applies to all Town and Parish Councils. The council should, therefore, prepare to comply with the Regulation by: <ul style="list-style-type: none"> ● Undertaking an audit of all personal data held including staff, councillors and the public. ● If deemed appropriate by the council, appointing a Data Protection Officer who has sufficient skills and knowledge about the GDPR and other Data Protection laws to adequately discharge the role. <p>More information can be found on the Information Commissioners website, ico.org.uk. The site has links to</p>

		two useful guides, "GDPR: 12 steps to take now" and "Getting ready for the GDPR checklist"
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>Are reserves adequate and 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 £2,930 at 31/03/18, comprising £704 which is earmarked for Transparency Code purposes and a £2,226 general reserve. The level of general reserve, which equates to 48% of the 2017/18 precept and grant, is considered to be both adequate and prudent.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● It is understood that North Lincolnshire Council has imposed stringent conditions on Local Councils for the receipt of Council Tax Grant for 2018/19. The council should ensure, therefore, that it fully considers the legal and financial implications of these conditions if it wishes to continue to receive the Grant element of the Precept.
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, Transparency Code funding and a grant in respect of NLC in bloom.</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>
7	<p>Were petty cash payments appropriate and supported by receipts?</p>	<p><u>Appropriate petty cash controls</u></p> <p>Findings</p> <p>The council does not maintain a petty cash system.</p>

	<p>Was all expenditure approved and reported to members?</p> <p>Has VAT been correctly accounted for?</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> Findings 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 and the 2017 NJC pay award.</p> <p>Salary payments have been subject to PAYE and NI regulations although no such payments were due 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> Findings 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>No new purchases have been made during the year and 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><u>Adequate bank reconciliations</u> Findings Bank reconciliations have been presented to council each month and have been authorised and dated by the</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>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</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>The statements agree with the cashbook and there is an audit trail from underlying financial records to the year-end statements.</p> <p>The 2016/17 Internal Audit Report was presented to council on the 10th May 2017. The recommendations were noted and approved.</p>
12	<p>Has the council met its responsibilities as a trustee?</p>	<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	<p>Are council's minutes maintained in accordance with legislative requirements?</p>	<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, with the exception of a two page appendix to the minutes of the meeting on the 23rd August 2017, 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> <p>Recommendation</p> <ul style="list-style-type: none">● Appendices, that form part of the council's minutes, should be signed and dated in accordance with legislative requirements.
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Executive Summary

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

The internal financial control environment within the council is good and the adoption of the above 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

27th April 2018

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