

Hedgerley 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 Governance and Accountability Return (AGAR). This report sets out the work undertaken in relation to the 2018-19 financial year, which took place on 1st May 2018.

Internal Audit Approach

In undertaking the 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/AGAR. 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 AGAR arrangements, which requires independent assurance over ten internal control objectives.

Overall Conclusion

We have concluded that, based on our programme of work, the Council has again maintained generally adequate and effective internal control arrangements in 2018-19: we also acknowledge the actions taken to address issues raised in our 2017-18 report.

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

We have also discussed the content of this report with the Clerk and Councillor Miller at the close of our review.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Clerk and Lead Member for Finance (LMF) have maintained the accounting records for the financial year under review in an Excel Workbook with various worksheets in use to provide both a cashbook and budget reporting information.

A single bank account is in use with NatWest: due to their low volume, we have checked detail of all transactions recorded in the cashbook agreeing detail to the supporting bank account statements also agreeing the year-end bank reconciliation detail.

We are pleased to note that, following our previous recommendation, formal bank reconciliations have been again prepared during the year and presented to Council as required by the Governance and Accountability Manual (G&AM).

Conclusions

We are pleased to record that no significant issues have been identified in this area this year. We note there was one uncleared cheque at the year-end which was presented to the bank in April 2019.

Review of Corporate Governance

Our objective here is to ensure that the Council has appropriate governance arrangements in place to help ensure compliance with extant legislation and that no decisions are taken that may result in unlawful or unbudgeted costs being incurred by the Council.

We have examined the Council's minutes during the year to determine whether any issues exist that may have either a legal or financial impact on the Council and its future financial stability and are pleased to record that no such issues have been identified. We note that following discussion last year the Council formally minuted the value of its precept at its meeting in May 2018.

We note the Council re-adopted its standing orders and financial regulations at its meeting in March 2019. Control would be enhanced if the Council simply adopted the NALC recommended models for these documents, this would also minimise the work required determining the appropriate form of words.

We have commented in previous years on the need for the Council to consider and formally minute the powers they rely on when making grants. Whilst Parish Councils have quite wide powers for example to maintain play areas, burial grounds and provide allotments or village halls, should the Council receive any unusual requests for funding it is important to consider the powers allowing it to make such payments and if necessary consult the Buckinghamshire Association of Local Councils.

Conclusions

No issues arise from our work requiring formal recommendation, although the Council should continue to ensure it meets the requirements of the Transparency Code posting financial and governance information on its website and consider adopting the NALC model standing orders.

Review of Expenditure

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 analysis of expenditure has been applied when preparing the Council's detailed Statement of Accounts; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

Due to the relatively low level of transactions, we have examined payments processed throughout the year to ensure compliance with the above criteria with no significant issues arising. We understand a VAT reclaim has been made in April 2019, in the new financial year.

Conclusions

We are pleased to record that no significant concerns have been identified in the procedures in place in this area this year 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 note the Council adopted its 2018-19 risk assessment at its meeting in March 2019. The risk assessment covers risks relating to finance, also the play area, asset management and democratic processes.

We note that insurance cover is provided by Axa, arranged through Came & Co and we have examined the year's insurance schedule which incorporates both Public and Employer's Liability cover at £10 million, with Fidelity Guarantee cover set at £150,000 and Business Interruption – Loss of Revenue cover at £10,000, all of which we consider more than adequate for a Council the size of Hedgerley.

We note that independent safety inspections are carried out on the play equipment.

Conclusions

We are pleased to record that no issues have been identified in this area this year warranting formal comment or recommendation.

Budgetary Control and Reserves

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and level of precept to be drawn down from the District Council: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

We note that the 2019-20 budget was approved at the Parish Council meeting in February 2019 and was supported by a detailed line by line analysis of spend. The precept of £19,900 was confirmed at the March 2019 meeting of the Parish Council.

We are pleased to note that documentation providing a comparison of actual budgetary performance against planned income and expenditure is now being prepared and provided to members quarterly.

The Council's total balance £18,896 (£20,675 at 31st March 2017 and £16,711 at 31st March 2018) equates to approximately 12 months' revenue spending at the 2018-19 level. This sits slightly above the generally recognised CiPFA guideline of between three and six months spending.

Conclusions

There are no matters arising from this area of our review requiring recommendations.

Review of Income

The major sources of income for the Council are the precept, occasional grants and donations and small amounts of bank interest.

As indicated above, we have verified the accuracy of detail recorded in the spread sheet cashbook by reference to bank statements and other available documentation, as provided for our examination.

Conclusions

No issues arise in this area.

Petty Cash Account/Clerk's Expenses

The Council does not operate a petty cash account. Any out-of-pocket expenses incurred by the clerk are, as indicated above reimbursed by cheque each month with her salary.

Review of Staff Salaries

We aim in this area to ensure that the clerk's gross salary payments are in line with the Council approved rate of pay and contracted working hours. We noted last year that the Clerk had been provided with an up-dated employment contract and we agreed the salary payments to the contract. We were not provided with a copy of the contract in the audit information this year but note staff costs are consistent year on year.

Conclusions

There are no issues requiring formal comment or recommendation in this area, although we request the contract of employment is provided again next year.

Asset Registers

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We are pleased to note that the asset register has been updated during 2018-19 to include new assets acquired during the year. We again note that it identifies both the nominal / book value of the Council's asset stock and the insurance value, the former of which is to be reported in the year's Annual Return at Section 2, Box 9.

Conclusions

No matters have been identified in this area warranting formal comment or recommendation: we are also pleased to note that, despite the Council's original view that development of a photographic record of all street furniture and the like was not considered necessary, such a register has now been compiled.

Investments and Loans

The Council holds no investments nor does it have an loans in place repayable either to or by it with third parties.

Statement of Accounts and AGAR

The year's AGAR at Section 2 serves as the Council's statutory Accounts subject to external audit examination and certification. We have reviewed the content of the year's Return agreeing detail to the underlying financial records and asset register.

Conclusions

No issues arise in this area warranting formal comment or recommendation following agreement of the content of the Annual Return for the year.

Based on our overall review of the accounting and other records during the year, we have signed off the Internal Audit Report assigning positive assurances in each relevant area this year