
South Hinksey Parish Council

Internal Audit Report 2016-17

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Background

All town and parish councils are required by statute to make arrangements 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 records the results of our review of the Council's accounting transactions and other relevant records for the financial year 2016-17.

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, as applied to all clients, is designed to afford appropriate assurance that the Council's financial systems are robust and 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' in the Council's Annual Return, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We have concluded that, on the basis of the programme of work undertaken this year, the Council has again maintained adequate and effective internal control arrangements. Detail of the work undertaken on the Council's accounting and other records is set out in the following detailed report, together with those issues arising with recommendations further summarised in the appended Action Plan.

We have completed and signed the 'Internal Audit Report' in the year's Annual Return, having concluded that, in all significant respects, the control objectives set out in that Report were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

Detailed Report

Review of Accounting Records and Bank Reconciliations

The Clerk maintains the Council's accounting records using an Excel spreadsheet, which we consider to be more than adequate given the annual level of transactions. The cashbook contains appropriate analysis columns to provide detailed information for inclusion in the Council's annual Statement of Accounts and the statutory Annual Return.

We have checked and agreed the full year's financial transactions, as recorded in the cashbooks, to bank statements with no issues arising. We have reviewed the year-end position to ensure that no anomalies entries exist requiring further enquiry or explanation, also that no cheques remain uncleared at the bank for an undue length of time.

Conclusions

No issues have been identified in this area warranting formal comment or recommendation.

Review of Corporate Governance

Our objective in this area is to ensure that the Council is complying with best practice and has put in place appropriate arrangements to ensure that good governance is practiced and observed.

The Council originally prepared and formally adopted Standing Orders (SOs) and Financial Regulations (FRs) in October 2009. We note that both have been reviewed and formally re-adopted at the March 2017 meeting and that it is these current versions which can be found on the Council's website.

We have reviewed the Council's minutes for the year to ensure that no issues exist or are developing that may have an adverse effect on the Council's financial stability either currently or in the foreseeable future and are pleased to note that no such issues appear to exist currently.

The requirements of the Transparency Code became mandatory for smaller councils from 1st April 2015. For a Council with a turnover below £25,000, the Code requires the following to be published on a publicly available website:

- Annual return
- Internal audit report
- Payments over £100
- Year-end accounts
- Assets
- Councillor's responsibilities
- Minutes and agendas

We are pleased to note that, in response to our audit recommendation last year, the key documents can now be found on the Council's website (<https://southhinksey.org/parish-council/>). The only exception is assets. The Code requires that details of public land and buildings are published but these have not, as yet, been included.

Conclusions and recommendation

Whilst no significant areas of concern exist in this review area, the Council needs to ensure full compliance with the Transparency Code.

R1. The Council should ensure that it meets all requirements of the Transparency Code with all required information published on its website.

Review of Payments

Due to their relatively low volume, we have reviewed all payments made during the year to ensure that the following criteria were met:

- Payments were supported by a trade invoice or acknowledgement of receipt.
- VAT has been calculated correctly and is recovered at appropriate intervals.
- The Council at a Council meeting approved each payment.
- Payments have been correctly analysed in preparation of the year-end Statement of Accounts.
- Section 137 payments have been identified in the cashbook and are within the Council's spending limit.

All payments were supported by appropriate documentation although we note that one payment was addressed to a Councillor and not the Council. This was not an issue in this particular case as no VAT was paid or reclaimed on it. However, we remind the Council that VAT can only be reclaimed on payments where the invoice is addressed directly to the Council.

We also note that two payments were not recorded in the minutes as having been formally approved (cheque numbers 100846 and 100847). However, as all other payments were throughout the year, this would appear to be a genuine oversight rather than a failure of the approval system.

We are pleased to note that two VAT claims were made within the year and that the Council has now claimed up to the month of October 2016.

Conclusions

No issues have been identified in this area warranting formal comment or recommendation.

Assessment and Management of Risk

We are pleased to note that, in response to both our recommendation and comment by the external auditors last year, the Council has reviewed and re-adopted its risk register at their December 2016 meeting

The Council's insurance for 2016-17 is with Ecclesiastical via Came and Co. We have examined the insurance schedule and consider that it is in line with expectation and remains appropriate for the Council's current needs with appropriate Public and Employer's Liability cover in place at £10 million, together with "Employee Dishonesty" cover at £150,000.

Conclusions

No issues have been identified in this area warranting formal comment or recommendation.

Budgetary Control and Reserves

We are pleased to note that the Council minutes (January 2017) confirm that the budget and level of precept for 2017-18 was discussed and agreed by the Council, the precept value being set at £8,500.

Total year-end reserves have increased to £20,532 as at 31st March 2017 (£11,306 at the prior year-end) and comprise an earmarked fund of £3,195 (Community Woodland), leaving a General Reserve fund balance of £17,337. This balance equates to approximately 2 years' expenditure at 2016-17 levels and appears excessive given generally recognised CiPFA guideline that general fund reserves should be maintained at between 3 and 6 months' revenue expenditure.

Conclusions and recommendation

Whilst no significant areas of concern exist in this review area, members need to ensure that the General Reserve balance remains appropriate for the Council's ongoing spending requirements.

R2. *The Council should consider whether its current levels of general fund reserves are too high or, if monies are being held for future projects, consider identifying them as separate earmarked reserves.*

Review of Income

The Council has only limited sources of income in addition to the annual precept, comprising burial and associated fees, various grants, contributions and donations, together with bank interest and VAT refunds. We have checked and agreed the cashbook income entries to bank statements and supporting documentation, including a review of burial fee income, agreeing that received to the Burial Register receipts.

Conclusions

No issues have been identified in this area 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 or members being repaid through the general invoice payment procedures. We are also pleased to note that VAT incurred on such expenses is now being correctly recorded and reclaimed appropriately.

Salaries and Wages

Last year we noted that the Clerk's contract of employment did not identify the clerk's salary or make reference to the home working allowance. We are pleased to note that a new contract of employment is in place which has rectified these issues.

We have reviewed the calculation of the Clerk's gross salary against the terms set out in the new contract of employment. We note that an hourly rate of £11.63 has been used to calculate his salary but that the hourly rate for SCP 25 per the "SLCC 2016-2018 salary award" (dated May 2016) is £11.66 (to be backdated to 1st April 2016). Given the very small difference in rates, the overall underpayment for the year is only £9.90.

We note the payment of some back pay relating to an underpayment from 2015-16 of office allowance, as identified at the 2015-16 internal audit, and monies owed as the Council approved an increase of 10 hours per month from July 2016 at the September 2016 meeting. We have reviewed the calculation of this back pay with no issues arising apart from a very small variance caused by the slight difference in hourly rate used.

We note that payments for tax have been deducted at source and paid directly to HMRC as required. Overall the amount of tax paid for the year equates to 20% of gross earnings. However, a tax coding provided for audit indicated the clerk was on tax code D0 and should therefore be taxed at 40% of gross income. Further investigation finds that the clerk does not believe that this is the correct tax code and has been notified by HMRC that a refund is due.

Conclusions

No issues have been identified in this area warranting formal comment or recommendation.

Asset Registers

The Governance and Accountability Manual requires that all councils establish and maintain inventories/asset registers of buildings, land, plant and equipment, etc. owned by them. We are pleased to note that the Council has complied with extant guidance, also recording asset values at the prior year Annual Return value, amended only by the cost of new acquisitions and / or any disposals in year (also at cost price).

Conclusions

Our review has found that the Council has sound procedures in place to record and monitor its fixed assets.

Investments and Loans

The Council holds no specific investments or loans requiring separate disclosure.

Statement of Accounts and Annual Return

We are pleased to note that the Clerk has prepared a Receipts and Payments Summary Account. We have agreed detail in the Accounts, as prepared, to the underlying cashbook and other relevant records and subsequently to the detail at Section 2 of the Annual Return for the year.

During our review, we noted that the "other receipts" figure in Box 3 of the Annual Return was incorrect as it missed out one burial ground receipt of £600 received in March 2017. We further noted that the figure in Box 6 of the return "other payments" was also incorrect as it excluded a

payment of £895. These two errors meant that the balance carried forward / total value of cash and short-term assets (boxes 7 and 8) did not agree to the year-end bank reconciliation.

Conclusions and recommendation

We have agreed all detail in the Summary of Receipts and Payments Account and Annual Return, subject to the above identified issues, and have duly signed off the Internal Audit Report assigning positive assurances in each relevant area.

R3. The Council should amend the Annual Return as follows:

- (a) box 3 other receipts – shown as £9,964 but accounts say £10,563*
- (b) box 6 other payments – shown as £6,515 but accounts say £7,411*
- (c) box 7 balances c/f – shown as £21,428 but should be £20,532*
- (d) box 8 total assets – shown as £21,428 but should be £20,532*

Rec. No.	Recommendation	Response
Review of Corporate Governance		
R1	The Council should ensure that it meets all requirements of the Transparency Code with all required information published on its website.	
Budgetary Control and Reserves		
R2	The Council should consider whether its current levels of general fund reserves are too high or, if monies are being held for future projects, consider identifying them as separate earmarked reserves.	
Statement of Accounts and Annual Return		
R3	<p><i>The Council should amend the Annual Return as follows:</i></p> <p>(a) <i>box 3 other receipts – shown as £9,964 but accounts say £10,563</i></p> <p>(b) <i>box 6 other payments – shown as £6,515 but accounts say £7,411</i></p> <p>(c) <i>box 7 balances c/f – shown as £21,428 but should be £20,532</i></p> <p>(d) <i>box 8 total assets – shown as £21,428 but should be £20,532</i></p>	