

South Hinksey Parish Council

Internal Audit Report 2018-19

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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 records the results of our review of the Council's accounting transactions and other relevant records for the financial year 2018-19.

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 / AGAR. 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 AGAR, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We have concluded that, based on our programme of cover for the 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 any recommendations further summarised in the appended Action Plan.

We have completed and signed the 'Internal Audit Report' as part of the AGAR process, having concluded that 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 AGAR.

Due to their low volume, we have checked and agreed the full year's financial transactions, as recorded in the cashbooks, to bank statements with no issues arising. We are also pleased to note that bank reconciliations and budget performance are reported to and reviewed by members during the course of the year and have verified the accuracy of the year-end bank reconciliation and accurate disclosure of year-end balances in the AGAR.

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 reviewed and re-adopted unchanged its Standing Orders (SOs) and Financial Regulations (FRs) at the May 2018 Council meeting, together with a revision to the formal tender limit in the FRs to £10,000 agreed at the December 2018 meeting. We also note that the SOs have been re-adopted unchanged at the May 2019 meeting as an interim measure with the intent to apply the latest NALC model document, appropriately tailored to the Council's own requirements, in due course.

We have reviewed the Council's minutes for the year and to date in 2019-20 as posted on the Council's website to ensure that, as far as we may reasonably be expected to ascertain, no issues exist or are developing that may have an adverse affect 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.

Conclusions

We are pleased to record that no issues arise in this area this year: we shall continue to review the Council's approach to governance at future visits and comment accordingly in future reports.

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.

No issues arise in this area this year and we are pleased to note that two members continue to initial each invoice / payment docket.

We are also pleased to note that VAT is reclaimed regularly and have verified the accuracy of the reclaim submitted to 31st March 2019 by reference to the year's payment cashbook detail.

Conclusions

No issues have been identified in this area this year, although we have not been provided with the Vale of Wight Horse burial ground NNDR invoice: as this is the only omission in the documentation provided, no further action is deemed necessary, although we ask that the full year's documents be provided in future.

Assessment and Management of Risk

We are pleased to note that the Council has again reviewed and re-adopted its risk register at both the December 2018 and May 2019 meetings.

The Council's insurance for the year is with Aviva. 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 Public and Employer's Liability cover both in place at £10 million, together with fidelity guarantee cover at £50,000.

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 2019) confirm that the budget and level of precept for 2019-20 was discussed and agreed by the Council, the precept value being set at £14,350.

Total year-end reserves stand at £17,720 (£14,599 as at 31st March 2018) comprising two earmarked funds of £3,450 (Community Woodland) and £175 (Transparency Grant), leaving a General Reserve fund balance of £14,095, which equates to approximately 10½ months' expenditure at 2018-19 levels and is considered appropriate for the Council's ongoing revenue spending plans.

Conclusions

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

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.

There have been a few interments and requests for the erection of headstones and addition of inscriptions to existing headstones during the year: we have duly checked and agreed, as far as is practicably possible, the fee income to the undertakers and stonemason applications and approved scale of fees and charges. We note that the Burial Ground rules and regulations, which incorporate the schedule of fees and charges, were approved at the June 2018 meeting and assume that, by default, the fees were similarly approved as remaining unchanged for the year. In the interests of clarity and demonstrating compliance with the Council's adopted Financial Regulations (Paragraph 9.3 refers), we suggest that in future years any decision on the level of burial and associated fees and charges be minuted formally, even where no change is approved.

Additionally, in order to ensure clarity of the audit trail, we suggest that the undertaker and stonemason application forms be amended to include detail of how the fee received is made up: we consider this both a move to reflect best working practice, especially in the light of the relatively complex fee structure dependent on clients residential status in the parish.

Conclusions and recommendations

No significant issues or concerns have been identified in this area although we consider that, as indicated above and in line with best practice, an improved audit trail should be established identifying the constitution of fees received and also formal approval of the year's fees and charges.

- R1. Undertaker and stonemasons' application forms could and should, ideally, be revised to include a breakdown showing clearly the composition of fees paid to the Council.*
- R2. In line with the requirements of the Council's adopted Financial Regulations (Paragraph 9.3 refers), a minute confirming members' approval of the fees and charges to be levied annually should be recorded, even where no changes are agreed.*

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.

Review of Staff Salaries

We have reviewed the Clerk's contract of employment noting that it has been recently amended to take account of the changes in the national pay scales applying from 1st April 2019, also noting that the document identifies the 2018-19 salary pay point and basic monthly working hours and reference to the "home working allowance".

We have reviewed the calculation of the Clerk's gross salary for the year, paid quarterly against the terms set out in the employment contract with no issues arising other than in relation to the final quarter, where NI has been deducted: we have discussed the position with the clerk referring

him to one of our contractors who also provides a payroll bureau service in order that the position regarding NI contributions is clarified and appropriate action is taken, if necessary, during 2019-20 to regularise the position.

Conclusions

No issues have been identified in this area warranting formal comment or recommendation this year: we shall review the Clerk's pay, tax and NI deductions again next year ensuring that no further anomalies exist or arise.

Fixed 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 again complied with this requirement, also recording asset values at the prior year AGAR value, amended only by the cost of new acquisitions and the two disposals in 2018-19.

Conclusions

We are pleased to report that no issues arise in this area with the value of assets, as recorded in the register accurately reported in the year's AGAR.

Investments and Loans

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

Statement of Accounts and AGAR

The AGAR, Section 2 now acts as the Council's statutory Statement of Accounts subject to external audit review and certification. However, as the Council again meets the criteria for seeking exemption from the external audit process (i.e. turnover below £25,000) it has duly self-certified its exemption in the year's AGAR.

We have checked the detail disclosed in the year's AGAR at Section 2 to the supporting cashbook analysis and the total receipts and payments, as reported in the Exemption Certificate within the year's AGAR with no issues arising.

Conclusions

Having verified the accuracy of disclosure of the year's financial transactions, we have duly signed off the Internal Audit Report assigning positive assurances in each relevant area.

Rec. No.	Recommendation	Response
Review of Income		
R1	Undertaker and stonemasons' application forms could and should, ideally, be revised to include a breakdown showing clearly the composition of fees paid to the Council.	
R2	In line with the requirements of the Council's adopted Financial Regulations (Paragraph 9.3 refers), a minute confirming members' approval of the fees and charges to be levied annually should be recorded, even where no changes are agreed.	