
South Hinksey Parish Council

Internal Audit Report 2012-13

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Background and Scope

The Accounts and Audit Arrangements introduced from 1st April 2001 require all Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. The Council implemented the process several years ago under the auspices of the previous Clerk, utilising the services of a local person. Subsequent to the Clerk's retirement in March 2007, we were invited to tender for the engagement and were subsequently appointed in January 2008.

This is, therefore, our sixth report on the financial transactions and governance of the Council and relates to the 2012-13 financial year.

Internal Audit approach

In undertaking our review we have, and will continue to have, regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts. However, in view of the low number of transactions throughout the year and the simplicity of their verification, we have employed direct substantive tests rather than selective sampling techniques.

This report summarises our conclusions on each of the key areas set out in the Internal Audit Certificate embodied in the Annual Return. Issues requiring attention have then been further summarised into an Action Plan at the end of the report. We request that, as in previous years, the Clerk and Council consider the detail of those issues arising and, where deemed necessary, take appropriate steps to address them. We are pleased to acknowledge the continued efforts being made by the Clerk to improve the quality of record keeping and have, consequently, only identified one relatively minor issue for the attention of the Council this year. Detail of the resultant recommendation is also summarised in the appended Action Plan.

Overall Conclusion

Overall, we are pleased to conclude that the Council has effective systems in place to ensure that transactions are accurately reflected in the Statement of Accounts. On the basis of our review work, we have signed off the Internal Audit Certificate in the Annual Return assigning positive assurances in each relevant area.

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 and are pleased to note that regular reconciliations continue to be prepared and submitted to Council meetings for approval: we have reviewed the year-end position to ensure that no anomalies have been identified 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 and we wish to thank the clerk for maintaining a high standard of records.

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 prepared and formally adopted Standing Orders and Financial Regulations in October 2009. We are pleased to note that both were reviewed and formally re-adopted at the June 2012 meeting.

We have also continued our review of the Council's minutes for the year to ensure that 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 currently.

Conclusion

We are pleased to record that no significant issues exist at present.

Review of Payments

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.

Conclusions and recommendations

We are pleased to record that all payments were appropriately supported. The only minor point we would raise is that cheque book stubs were not initialled by the two members who signed the cheque. This is good practice and strengthens the audit trail. We are also pleased to note that a reclaim covering 2012-13 has been prepared and submitted to HMRC including VAT on the Clerk's expenses.

R1. In line with best practice and to ensure compliance with their fiduciary responsibilities also providing a full audit trail, the two councillors signing cheques should also initial the cheque book counterfoils.

Assessment and Management of Risk

We are pleased to note that the Council reviewed and adopted a risk register at their meeting in March 2012 with appropriate update reviews throughout the year.

The Council's insurance has been renewed with Aviva for 2012-13. We have examined the insurance schedule and consider that it is in line with expectation and is appropriate for the Council's current needs. We are pleased to also note that appropriate "Employee Dishonesty Cover", provided as part of the Aviva policy, is also in place at £100,000.

Conclusions

No issues arise in this area of review.

Budgetary Control and Reserves

We are pleased to note that the Council minutes (7th January 2013) confirm that the budget and level of precept for 2013-14 was discussed and agreed by the Council; the precept value being set at £7,045.

It appears that the bank account is monitored regularly during the year, the clerk providing the council with financial performance updates against the approved budget.

Total year-end reserves have decreased slightly to £14,124 (£15,579 at 31st March 2012) and comprise an earmarked fund of £2,582 (Community Woodland), leaving a General Reserve fund balance of £11,542. This balance is more than adequate as expenditure in the year was £10,238 and good practice indicates that Council's should maintain between three and six months' of their total expenditure in year end balances.

Conclusions

No matters arise in this area of our review.

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 recovered VAT. We have checked and agreed all cashbook income entries to bank statements and supporting documentation, also undertaking a more detailed review of burial fee income, agreeing that received to the Burial Register receipts.

Conclusion

No issues arise in this area of our review.

Petty Cash

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 expenses is now being correctly recorded and reclaimed appropriately.

Salaries and Wages

We have reviewed the calculation of the Clerk’s annual salary paid quarterly and determined that the calculation of gross wages payable was correct. We are pleased to note the Council operates a PAYE scheme to pay the Clerk with tax deducted and paid directly to HMRC by the Council, as now required by HMRC regulations.

Conclusions

We are pleased to record that no issues arise in this area.

Asset Registers

The 1996 Accounts and Audit Regulations required 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 the Regulations.

The guidance now requires that asset values in the Annual Return are reported at purchase cost or, where that value is unknown at the previous year’s Return level uplifted or decreased to reflect the acquisition of any new assets or disposals. We are pleased to note the Council has reflected this in their Annual Return data for 2012-13.

Conclusions

No issues arise in this area warranting formal comment or recommendation: however, we consider that there are benefits from a future financial planning viewpoint to identify the annually uplifted value of assets in the register and would suggest that the existing record is expanded accordingly.

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 again prepared a Receipts and Payments Summary Account, along with a Supporting Statement, detail of which we have agreed to the underlying cashbook and other relevant records and subsequently to the detail at Section 1 of the Annual Return for the year.

Conclusions

No issues arise in this area and we have duly signed off the Internal Audit Certificate assigning positive assurances in each relevant area.