
South Hinksey Parish Council

Internal Audit Report 2017-18

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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 2017-18.

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 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.

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 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 in the current financial year detail of which are recorded on the Council's website. We also note that the FRs refer to a limit of £25,000 for formal tender action and consider that, with an average spend of around £16,000 per annum over the past five years, a lower limit of say £10,000 would be more appropriate for the Council's ongoing requirements. We also note that the SOs are not in line with the very recently updated NALC model document and commend that as a suitable basis for the Council to use when next reviewing and updating its existing document.

We have reviewed 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.

The requirements of the Transparency Code became mandatory for smaller councils from 1st April 2015. We are pleased to again note compliance with the requirements of the Code with all required documentation reported on the Council's website. However, we note that the Code requires that details of public land and buildings are published and these are not immediately obvious when reviewing the Council's website. Review of the Council's fixed asset register shows that the Council own the burial ground and the community woodland. Further investigation found that there are pages dedicated to both these areas on the Council's website although the Council may like to consider whether it would be more user friendly to add a note regarding these two assets on the "finance" page with the other key documents.

Conclusions and recommendation

No significant issues have been identified in this area this year, although, as above, we consider that a lower level for formal tender action would be more appropriate than that currently specified in the Financial Regulations.

R1. Consideration should be given to setting a more appropriate level at which formal tender action is required that the existing value of £25,000.

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.

We are pleased to note that VAT is regularly reclaimed. The latest claim is as at 31st December 2017. All 2017-18 VAT reclaimed up to that date agrees to the cashbook.

Conclusions

No issues have been identified in this area warranting formal comment or recommendation, although we suggest that for ease of identification, reclaims be submitted in future covering the financial year to 31st March.

Assessment and Management of Risk

We are pleased to note that the Council has again reviewed and re-adopted its risk register at the December 2017 meeting

The Council's insurance for the year is with Aon. 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 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 2017) confirm that the budget and level of precept for 2018-19 was discussed and agreed by the Council, the precept value being set at £14,000.

Total year-end reserves have decreased to £14,599 as at 31st March 2018 (£20,532 at the prior year-end) and comprise two earmarked funds of £3,270 (Community Woodland) and £542 (Transparency Grant), leaving a General Reserve fund balance of £10,787. This balance equates to approximately 8 months' expenditure at 2017-18 levels and just over the recognised CiPFA guideline that general fund reserves should be maintained at between 3 and 6 months' revenue expenditure.

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.

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.

Review of Staff Salaries

We have reviewed the Clerk's contract of employment and are pleased to note that it identifies the salary pay point and number of hours and includes reference to the home working allowance.

We have reviewed the calculation of the Clerk's gross salary against the terms set out in the contract of employment. We are pleased to note that the hourly rate used to calculate the Clerk's salary has been uplifted in line with the agreed national pay award for 2017-18 and that the small under payment from 2016-17 which arose as a result of the pay point not being uplifted last year has now been paid.

We note that payments for tax have been deducted at source and paid directly to HMRC as required.

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 AGAR value, amended only by the cost of new acquisitions and / or any disposals in year (also at cost price) where appropriate.

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 AGAR

We are pleased to note that the Clerk has prepared a Receipts and Payments Summary Account and 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 AGAR for the year.

Conclusions

We have duly signed off the Internal Audit Report assigning positive assurances in each relevant area.

Rec. No.	Recommendation	Response
Review of Expenditure & VAT		
R1	Consideration should be given to setting a more appropriate level at which formal tender action is required that the existing value of £25,000.	