
Pucklechurch Town Council

Internal Audit Report 2016-17

Stuart J Pollard

*Director
Auditing Solutions Ltd*

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 sets out the work undertaken in relation to the 2016-17 financial year, which took place on 6th May 2017.

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 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' 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 satisfactory completion of our programme of work for the year, the Council has again maintained adequate and effective internal control arrangements. We are pleased to report that there are no issues arising this year warranting formal comment or recommendation.

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

Detailed Report

Review of Accounting Arrangements & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. The Council has continued to use Sage software to record its financial transactions with two bank accounts in use with NatWest plc with separate nominal control accounts in the Sage software.

We have consequently undertaken the following work in this review area:

- Ensured that an appropriate nominal coding structure remains in place;
- Ensured the accurate carry forward of the 2015-16 closing balances to the opening trial balance detail recorded in the Sage accounts for 2016-17;
- Ensured that the Sage ledger remains in balance at the financial year-end;
- Checked and agreed the full year's transactions in the Council's NatWest Current and Reserve Accounts agreeing detail to the supporting bank statements;
- Verified the accurate recording of detail on the bank reconciliation as at 31st March 2017 on both accounts ensuring that no long-standing cheques or other anomalous reconciling entries exist; and
- Ensured the accurate disclosure of the combined cash and bank balances in the year's Annual Return.

Conclusions

We are pleased to record that no issues have arisen from our review of the 2016-17 accounting transactions. We are also pleased to note that, following our previous recommendation, periodic bank reconciliations are being undertaken and presented to Council.

Review of Corporate Governance

Our objective is to ensure that the Council has robust corporate governance documentation and procedures in place; that Council meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we are able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We have: -

- Examined the Council's minutes for the financial year and to date in the current year to identify whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability; and
- Noted that both SOs and Financial Regulations (FRs) were reviewed and re-affirmed by the Council during the financial year, with the latter based on the latest updated NALC model document.

Conclusions

In examining the minutes, we are again pleased to acknowledge that detail of payments is submitted to the Council and formally incorporated in the minutes, including detail of payees' names, cheque numbers and the amount being paid to each.

We also note approval of the 2017-18 budget and precept at the November 2016 full Council meeting.

We also note that the Council has now formally adopted the General Power of Competence at its March 2017 meeting.

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and approved 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 payments are being reported to Council;
- VAT has been calculated correctly for periodic recovery;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount; and
- That all payments have been coded appropriately.

We have again reviewed the procedures in place for the approval and processing of trader and other payments each month and are pleased to acknowledge that, following our previous recommendation, invoices and other documentation supporting payments are now being initialled by the two cheque signatories.

Due to their relatively low volume, we have examined the full file of documentation supporting payments throughout the year and are pleased to record that, apart from one or two omissions, all are supported appropriately.

We note that two VAT reclaims have been prepared and submitted to HMRC for the year and have agreed their detail to the supporting nominal ledger detail in the Sage software, also ensuring that the value of the final half-year's reclaim is accurately recorded as a debtor in the year-end Accounts and Annual Return.

Conclusions

We are pleased to report that no issues arise 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 identified in order to minimise the opportunity for their coming to fruition.

- We note that a formal Risk Register remains in place, that it has been reviewed and formally adopted during the financial year, as required by the Governance and Accountability Manual; and

- We note that the Council's insurance cover has again been provided by Maven: we have examined the year's schedule and consider that appropriate cover is in place with Employer's and Public Liability both set at £10 million and Fidelity Guarantee cover in place at £250,000.

Conclusions

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

Precept Determination and Budgetary Control

We aim in this area of our work to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount to be precepted on the parent Council; that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans.

As indicated earlier in this report, we note that the Council has considered its budgetary and precept requirements for 2017-18 agreeing an increase in the precept over the 2016-17 level.

We are also pleased to note that the lead member for finance has again provided members with detail of the Council's budgetary performance during the year: we have examined the year-end outturn with no areas of concern identified warranting further action.

Finally in this area, we note that Total Reserves as at 31st March 2017 stand at £74,104 (£66,824 at 1st April '16). Earmarked reserves are in place totalling £57,750 (£49,750 at 1st April 2016) leaving a General Fund balance of £16,350, which equates to three months' revenue spending at 2016-17 level and is considered appropriate for the Council's ongoing revenue spending expectations.

Conclusions

There are no issues arising in this area to warrant formal comment or recommendation.

Review of Income

In considering the Council's income streams, we aim to ensure that robust systems are in place to ensure the identification of all income due to the Council from its, albeit limited sources, to ensure that income is invoiced, where appropriate, in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council.

The Sage software provides a Sales ledger, which is being used appropriately for allotment rent, sports club and other rents, plus cemetery income. In order to gain assurance that appropriate controls are in place, we have examined income arising from allotment rents, noting that a formal register of tenants is in place and that all rents for 2016-17 have been recovered appropriately.

We have also reviewed the Burial Register noting that the Burial ground has effectively been "closed" as no further grave space exists, although room exists for the interment of cremated ashes. We have ensured that for each "interment" during the year the appropriate fees have been charged and that each was supported by all legally required documentation.

We have also examined the Sales Ledger detail noting that the only two minor uncleared debts remain at the year-end in addition to second half-year's VAT reclaim.

Finally in this area, we have developed a spreadsheet analysis of income for the year contrasting it with prior year data in order to further support the level of income received during the year and identify any variances that may have arisen.

Conclusions

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

Petty Cash Account

A single petty cash account is in operation with an imprest value of £150. We have examined the payments processed through the Sage accounts during the year ensuring that all are supported by appropriate invoices or till receipts and that VAT is also identified for recovery.

Conclusions

There are no issues arising in this area to warrant formal comment or recommendation.

Salaries and Wages

We note that the Council has outsourced production of its monthly payroll. We examined the Clerk's employment contract at a previous year's review and note that members agreed a further spinal point increase for the financial year.

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the requirements of HMRC legislation and the deduction and payment over of income tax and NI contributions. To meet this objective, we have examined the March 2017 salary documentation provided:

- Checking that the clerk's gross pay is calculated accordingly by reference to the approved spinal point on the pay scale;
- Checking to ensure that Income Tax codes and National Insurance Tables are being applied correctly; and
- Ensuring payment to HMRC is made appropriately and that the necessary returns are filed in accordance with HMRC's requirements.

We also note that the Council has implemented a pension scheme for the clerk with the NEST scheme being applied.

Conclusions

We are pleased to record that the procedures in place for the determination and physical payment of the clerk's salary operates soundly with no issues arising warranting formal comment.

Fixed Assets

The Governance and Accountability Manual requires all Councils to maintain a comprehensive register of all assets owned and leased by the Council. We aim to ensure that such a register is in place, that it is comprehensive and contains all the basic information that should, ideally, be embodied in the record.

We are pleased to note the continued existence of an appropriate register, detail of which we have contrasted with the insurance schedule, with the value disclosed in the year's Annual Return correctly identified as that recorded in the 2015-16 Return with no new acquisitions or disposals occurring in the year.

Conclusions

No matters have been identified in this area this year warranting further comment.

Investments and Loans

The Council has no "investments" in place currently, all funds being held in the two NatWest bank accounts. The Council has no loans outstanding either repayable by, or to, it at the financial year-end, having paid off an outstanding loan in a previous year.

Statement of Accounts and Annual Return

We are pleased to note that the lead member for finance has produced a detailed Income and Expenditure Account and Balance Sheet for the year drawn directly from the Sage Trial Balance. The Sage software has been used to generate detail of any outstanding debtors and creditors at the financial year-end, detail of which we have examined and agreed to the relevant supporting documentation.

This has formed the basis of the detail recorded at Section 2 of the year's Annual Return and we have duly agreed that detail by reference to the Trial Balance.

Conclusions

No issues have been identified in this area this year and, on the basis of the satisfactory conclusions drawn from our programme of cover this year, we have duly "signed off" the Internal Audit Report in the Annual Return assigning positive assurances in each relevant area.