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**Ash Parish Council**

*Internal Audit Report 2015-16 (Final)*

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*Prepared by Nigel Archer*

*For and on behalf of*  
*Auditing Solutions Ltd*

## **Background and Scope**

The Accounts and Audit Arrangements introduced from 1<sup>st</sup> April 2001 require all Town and Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. The Council complied with the requirements in terms of independence from the Council decision making process appointing Auditing Solutions Ltd to provide the function to the Council from the outset.

This report provides detail of those areas examined during the course of our recent final visit to the Council, which took place on 27<sup>th</sup> May 2016, and supplements the interim work undertaken over the course of two days in December 2015 and February 2016.

## **Internal Audit Approach**

In concluding our audit review for the year, we have continued to have regard to the materiality of transactions and their susceptibility to potential mis-recording or mis-representation in the year-end Statement of Accounts.

We also carry out appropriate reviews of the Council's financial and other control functions in order to gain the necessary degree of assurance to facilitate positive responses in each relevant area of the Internal Audit Certificate in the Annual Return and to provide members assurances that those control systems are operated in accord with best practice and approved Council procedures.

## **Overall Conclusion**

We are pleased to record that no major concerns or issues have been identified during the course of testing undertaken for this financial year: consequently, no matters are considered necessary for formal recommendation.

We have duly "signed off" the Internal Audit Certificate at Section 4 of the Annual Return, assigning positive assurances in all relevant categories, and left the original documentation with the Clerk for submission to members for approval prior to onward transmission to the external auditors.

This report has been prepared for the sole use of Ash Parish Council. To the fullest extent permitted by law, no responsibility or liability is accepted by Auditing Solutions Ltd to any third party who purports to use or rely on, for any reason whatsoever, this report, its content or conclusions.

## **Detailed report**

### **Accounting Records and Bank Reconciliations**

The Council remains a full Omega accounts software user, with external contractors (RBS Software) continuing to provide an annual closedown service. One principal cashbook for the Current "Community Plus" account operated at the Co-Operative Bank is supported by a Corporate Deposit account at the Bank of Scotland, together with occasional, periodic Term deposits and a Local Authority Property Fund "investment".

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. To that end, we have: -

- Ensured that the financial ledger coding structure remains appropriate and is unchanged compared with the previous year;
- Ensured that the financial ledgers remain in balance at the present date (March 2016);
- Checked that the closing bank balances, as reported in the Statement of Accounts for 2014-15, have been correctly rolled forward as opening balances for 2015-16 in the Omega software;
- Checked and agreed transactions in the Current Business account cashbook to the relevant Co-Op Bank account statements for three sample months (April & November 2015 and March 2016);
- Checked and agreed all transactions (due to their low volume) on the Bank of Scotland Deposit account cashbook for the year in full to March 2016; and
- Checked detail on the software based bank account reconciliations as at 30<sup>th</sup> April & 30<sup>th</sup> November 2015 and March 2016 on both accounts to ensure that no long-standing, uncleared cheques or other anomalous entries exist.

#### ***Conclusion***

*There are no issues arising in this area to warrant formal recommendation currently.*

### **Review of Corporate Governance**

Our objective here is to ensure that the Council has robust corporate governance documentation and processes in place, that Council and Committee meetings are conducted in accordance with the adopted Standing Orders 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 to date: -

- Examined the minutes of the Full Council and its Standing Committees' meetings (except Planning) for the municipal year to early April 2016 to ensure that no significant issues affecting the Council's financial stability either in the short, medium or long term exist;
- Previously noted that the Council determined not to proceed any further with legal action in relation to planning development / enquiries and no further comment is considered necessary this year; and
- Previously noted that the Council's extant Standing Orders and Financial Regulations were appropriately re-affirmed in May 2015, at which time the General Power of Competence

was also formally re-adopted in accord with current legislation following the election of new members. Subsequently, we are pleased to note further review and re-adoption of both documents in March 2016 to incorporate recent legislative changes, such as those in relation to procurement, and that the tender thresholds have been re-affirmed at £25,000.

### ***Conclusion***

***There are no issues arising in this area to warrant formal recommendation currently.***

## **Review of Expenditure**

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Cheques are signed by two elected members of the Council;
- 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;
- An official order has been raised for all purchases and service delivery where one would be expected;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have concluded our testing in this area, examining all those payments individually in excess of £2,500, together with a more random selection of every 25<sup>th</sup> cashbook transaction (irrespective of value) to 31<sup>st</sup> March 2016. Our sample, of just under 100 items in all, totalled £184,000 and represented 70% of all non-pay related payments for the year with all the above criteria met.

We note that electronic VAT recovery claims continue to be submitted on a regular quarterly basis and have verified the third quarter's (to 31<sup>st</sup> December 2015) Return to the underlying Omega control account balance at the previous interim. At this final visit, we have similarly checked the March 2016 submission, noting that the external contractor had raised one or two year-end journals subsequent to the Return being filed, which the Clerk has ensured will be reflected in 2016-17.

Finally in this area, we have updated our year-on-year analytical review of expenditure incurred across the range of Council activities with no significant, un-identified variances arising to warrant further enquiry or explanation by officers.

### ***Conclusion***

***There are no issues arising in this area to warrant formal recommendation currently.***

## **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 have previously noted that members have duly considered, and formally re-affirmed, Financial and General Risk Management Registers (March 2015) and have not considered any further work to be necessary in this area at the interim stage. Subsequently, at this final visit we note from examination of minutes and copy documentation provided that members have again formally adopted the Registers at their meeting in March 2016; and
- We have examined the insurance schedule summary for the current year (to 31<sup>st</sup> July 2016), cover continuing to be provided by Aviva. We note that both Public and Employer's Liability remain at £10 million whilst Fidelity Guarantee has been increased to £1.2 million and Loss of Revenue to £140,000.

### **Conclusion**

*There are no issues arising in this area to warrant formal recommendation currently.*

## **Precept Determination and Budget 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 annual precept; 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. To meet these objectives, we:-

- Note that the deliberations of the Budget and Precept setting for 2016-17 were concluded at the Full Council meeting in January 2016, the latter being formally approved and recorded at £396,480, excluding the Borough's "support grant" of £44,986;
- Note that the Clerk continues to provide the Finance & Administration Committee with regular budget monitoring / management accounts, minutes of which are subsequently re-affirmed by Full Council;
- Previously noted in our final report for 2014-15 that the Council had carried forward more than £700,000 in Earmarked Reserves to the current financial year: our examination of minutes indicates no significant approved usage for the year, such as Phases 6, 7 & 8 Street Lighting and additional CCTV cameras, and a similar level of balances of £690,000 have been carried forward into 2016-17; and
- Note that the residual General Fund carried forward as at 31<sup>st</sup> March 2016, including the longer term deposits / investments, stood at approximately £350,000.

### **Conclusions**

*There are no issues arising in this area to warrant formal recommendation currently.*

## Review of Income

In examining 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 various sources; to ensure that the income is invoiced in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council. Consequently:-

- As recorded earlier in this resume, we have checked and agreed three months' cashbook receipts to relevant bank statements on the Current account and all twelve months' to March 2016 on the Deposit account;
- We noted from our examination of minutes in 2014-15 that members had agreed the relevant scales of fees and charges for the Cemetery, Ash Centre, Allotments, Sports pitches, etc. for 2015-16 and obtained copies for testing purposes;
- We have examined detail of income arising from the Cemetery by reference to a six month sample to September 2015 of burial register entries to ensure that each was supported by appropriate legal documentation, that each had been charged the correct fee in accord with the published scales of fees, that invoices had been raised in a timely manner and were properly posted to the Omega income ledgers;
- We have examined a sample month's transactions (November 2015) at the Ash Centre Halls and Meeting Room by reference to the three bookings diaries maintained in Outlook calendars (enabling all staff access to detail on the central server to assist the public and caretaking staff with availability, etc.). This similarly included ensuring that each activity had been charged in accord with the published scales and that Omega sales ledgers (and thus nominal income records) had been updated accurately;
- We have checked and agreed all interest and dividends arising on the Council's term deposits / investments for the year from third party documentation to cashbook entries; and
- We have visually examined all income codes, nominal ledger transactions reports for the year to ensure there are no obvious errors or omissions where receipts may ordinarily be expected (such as monthly / quarterly lettings of offices and other facilities): no such issues were identified.

Finally in this area, we have updated our year-on-year analytical review of income arising across the range of Council activities with no significant, un-identified variances arising to warrant further enquiry or explanation by officers.

### **Conclusions**

*There are no issues arising in this area to warrant formal recommendation currently.*

## Petty Cash Account

Whilst the amounts expended in this area are extremely limited, we are charged, as part of the Annual Return certification work, with examining the Council's petty cash accounting controls and signing off accordingly in the Return. Our aim is to ensure that appropriate controls are in place, that all expenditure incurred is adequately supported by trade invoices or till receipts, that VAT (where applicable) is separately identified and that expenditure incurred is appropriate to the Council's needs.

We have examined the operation of the “Imprest” based petty cash account, which has an approved maximum holding of £250, by reference to the expenditure transactions in October 2015 with all the above criteria met accordingly.

### ***Conclusions***

***There are no issues arising in this area to warrant formal recommendation currently.***

## **Salaries and Wages**

In examining the Council’s payroll function, we aim to ensure that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HM Revenue and Customs (HMRC) in relation to the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme, as further revised from 1<sup>st</sup> April 2015 in relation to staff salary contribution bandings.

To meet these objectives, we have examined the payroll procedures in place and the physical payments made to staff in November 2015, noting that the Clerk continues to use bespoke Sage software “in house” for this purpose. Our review has included: -

- Ensuring that the Council had approved employee pay rates for the financial year, noting previously in 2014-15 that the NJC pay award for 2014 to 2016 was implemented with effect from December 2014 with no further changes required during the current financial year;
- Checking to ensure that appropriate PAYE tax codes are being applied for the year, following the annual budgetary increases in personal allowances with effect from April 2015;
- Checking to ensure that national insurance deductions were being computed accurately depending on whether the employee was a member of the pension scheme or not;
- Checking that the correct scales of superannuation deductions, based on the revised current year LGPS salary bandings are being applied (where appropriate);
- Ensuring that appropriately approved timesheets are submitted by all employees in support of any flexible hours worked and / or claimed as overtime;
- Verifying detail of the net salary payments by reference to payslips, payroll summary reports and the subsequent BACS listings; and
- Noting that the revised legislative requirements of HMRC in relation to monthly, electronic payroll data filing submissions (aka RTI) were being appropriately observed.

### ***Conclusions***

***There are no issues arising in this area to warrant formal recommendation currently.***

## **Asset Registers**

The “Governance and Accountability Manual – The Practitioner’s Guide” requires all Councils to maintain a Register of Assets; we are pleased to note that the Clerk continues to prepare suitable documentation to meet this requirement.

We are also pleased to note that, in accord with the revised Practitioners' Guidance in this area, these schedules have been appropriately updated to include the current year's additions and disposals only, with no depreciation or "uplift" in value to reflect insurance policy inflationary increases.

As a result, we have verified the disclosure value of fixed assets at Box 9, Section 2 of the Annual Return to the total of the registers.

### ***Conclusions***

***No issues arise in this area of our audit review to warrant formal recommendation.***

## **Investments and Loans**

At our final audit visit for 2014-15 we verified detail of the investments in two periodic Term deposits held at Close Brothers (£200,000) and that in the CCLA Property Fund (also £200,000): at the time of our first interim visit for 2015-16, no movement had occurred in the year to date.

Subsequently, we note from examination of minutes and third party advice note documentation at the recent interim update visit that the Close Brothers deposits matured in November 2015 and were re-invested for a further 18-month period.

We have checked and agreed the two bi-annual PWLB loan instalment repayments (September 2015 and March 2016) from relevant bank statements to their third party "demand" notice as part of the sample payments testing noted earlier in this report: we have also verified the residual balance disclosure detail at Box 10, Section 2 of the Annual Return.

### ***Conclusions***

***No issues arise in this area of our audit review to warrant formal recommendation.***

## **Statement of Accounts & Annual Return**

The Council continues to engage the services of third party accountancy contractors (RBS Software) for its year-end closedown processes including the preparation of a detailed Statement of Accounts and data for inclusion at Section 2 of the Annual Return.

We have checked and agreed the detail therein from the underlying Omega trial balance and other documentation provided with no errors or omissions identified.

### ***Conclusions***

***No issues arise in this area of our audit review to warrant formal recommendation and, as noted in the opening overall conclusion to this report, we have "signed off" the Internal Audit Certificate of Section 4 of the Annual Return assigning positive assurances in all categories.***