
St Mary Bourne 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 complied with this requirement initially appointing a local person to undertake the work: we were subsequently approached and appointed from 2009-10. This report summarises our conclusions on the areas examined during the course of our visit for the year which took place on 3rd June 2013, and allows us to gain sufficient assurance to 'sign-off' the Internal Audit Certificate in the Annual Return for the year.

Internal Audit approach

In undertaking our review work, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts. With a relatively limited number of transactions annually, we have applied direct substantive tests in most areas rather than selective sampling.

Overall Conclusion

Overall, we are pleased to conclude that the Council appears to have effective systems in place to ensure that transactions are accurately reflected in the Statement of Accounts and Annual Return. Whilst no significant issues have arisen, we have identified some minor matters where attention is required.

On the basis of work completed during our visit to the Council for the year, we have signed off the Internal Audit Certificate in the Annual Return assigning positive assurances in each relevant area.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The clerk has used the Alpha accounting system to maintain the Council's financial records. During the course of the year three bank accounts have been in place - Current and Business Reserve Accounts with Lloyds TSB and a fixed term investment account also with Lloyds TSB with separate cashbooks operated in the financial ledger for each account.

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. We have consequently: -

- Agreed the opening balances to those in the certified Annual Return for 2011-12;
- Verified that the financial ledger remained "in balance" at the financial year-end;
- Ensured that the cost and expenditure coding structure is appropriate for purpose;
- Checked and agreed detail in the cashbooks of all bank transactions for the financial year;
- Checked and agreed detail on the year-end bank reconciliations for all accounts; and
- Verified the accurate disclosure of balances in the Council's Annual Return for the financial year.

Conclusions

We are pleased to report that no issues have been identified in this area of our review.

Review of Corporate Governance

We noted last year that the Council adopted Standing Orders and Financial Regulations based on the NALC model documents. These documents are reviewed and re-adopted annually at the Annual Parish Council Meeting to reflect any changes in national legislation and local working practices, such as the revised Member's Code of Conduct, Freedom of Information Act & Scheme of Publication.

We have examined the Council's and its standing committees' minutes for the full financial year to ensure that no issues exist or are developing that may have an adverse affect on the Council's financial stability and are pleased to record that no such issues have been identified. We noted that virements were reported to and approved by the Planning Committee with the full Council ratifying decisions initially taken by the Planning Committee.

Conclusions

No matters arise in this area this year warranting formal comment or recommendation.

Review of Payments

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures;
- Funds are expended in accordance with 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 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.

Due to their relatively low number, we have examined all payments processed through the Council's bank account for the year, also verifying the accuracy of the annually prepared and submitted (to HMRC) VAT reclaim, noting a minor discrepancy of £1.89 with the Alpha control account detail, which should be checked and adjusted accordingly in 2013-14.

Conclusions

No major issues have been identified in this area of our work,

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 in order to minimise the opportunity for their coming to fruition. We have: -

- Examined the Council's insurance policy with Aviva to ensure that appropriate cover is in place and that members have reviewed its content and determined that cover in each area is appropriate to the Council's needs.
- Noted that, whilst comprehensive health and safety assessments are in place, the extent of detail in relation to potential financial risks is extremely limited.

Conclusions

We consider that the level of insurance cover in each area is more than adequate for the Council's current requirements. We also note that the Council has made progress towards the development of a more formalised and comprehensive register of the potential financial risks to which the Council may be exposed during the year.

Budgetary Control & Reserves

We note that the Council precepted £19,572 for 2013-14 at its January 2013 meeting to supplement the CTS Grant to be received from Basingstoke and Deane Borough Council and that a half yearly review is carried out by members detailing performance against the approved budget.

We have reviewed the year-end outturn seeking and obtaining appropriate explanations of the reasons for any significant and / or unexplained variances. We have also reviewed the level of year-end balances, noting that the Council has not identified any specific funds as set-aside for specific projects. The year-end General Reserve balance of £39,000 equates to approximately nine months' revenue spending at 2012-13 levels and is considered more than appropriate for the Council's ongoing revenue spending plans.

Conclusions

We are pleased to report that no issues have been identified in this area.

Review of Income

The Council has a limited range of income sources, primarily the precept, the fishing tenancy, grants for specific projects and other miscellaneous income by way of bank interest recovered VAT, etc.

We have examined detail of the income received as part of our bank statement testing also checking detail to available supporting documentation.

We have also examined all nominal income codes to establish whether or not any errors or omissions in posting have occurred during the year and are pleased to report that no such issues have been identified.

Conclusions

We are pleased to report that the income system continues to operate effectively with no control weaknesses identified.

Petty Cash Account

The Council operates a small petty cash account and we have confirmed the end of year balance. No issues have arisen from our examination of supporting documentation.

Salaries and Wages

The Council's payroll is produced manually based on salary and hourly rate of pay levels approved by the Council: we are pleased to note that the clerk has used the Inland Revenue software to calculate the amounts of tax and National Insurance deductions and

contributions due each month and has made arrangements for the use of a payroll provider to comply with Real Time Information requirements in 2013-14.

We have verified the Clerk's monthly salary payment by reference to the approved NJC pay Scales and Council Minutes, an incremental point being awarded during the year. We have also verified detail of the quarterly payments to HMRC in respect of the tax and NI deductions applied in the year to the Clerk's salary.

Conclusions

No issues arise from testing completed in this area.

Asset Register

The asset register is in line with the detail in the 2011-12 document produced with only minor amendments. Current guidance (Practitioner's Guide to Governance and Accountability – 2010 edition) required that asset values be disclosed in the Annual Return at purchase cost, where known. As with many councils, the original purchase cost is now unknown: consequently, asset values should be recorded on the Annual Return at the previous year's certified Return value amended only to reflect the value of any new acquisitions or disposals.

We have previously suggested that, in line with best practice, the asset register should also identify, in addition to the purchase / Annual Return reported cost, the insurance / replacement value, serial number (where applicable), disposal date and sale proceeds.

Conclusions and recommendation

We note that the register as at 31st March 2013 is in the same format as last year and have agreed with the Clerk that he will include this detail when the next insurance detail is obtained on renewal of the policy in September 2013.

RI. The Clerk and Council should ensure that the asset register is expanded to include further basic data, as set out in the body of the report.

Investments and Loans

The Council holds a one year deposit with Lloyds TSB, detail of which we have agreed to the supporting transaction confirmation from the bank.

The Council has no loans in place either repayable by or to it.

Conclusions

No issues arise from testing completed in this area.

Statement of Accounts & Annual Return

The Clerk has again prepared a Statement of Accounts based on the Alpha accounting system detail, supported by further supplementary explanatory notes: we consider that this reflects good working practice providing members and electors with greater and more meaningful information than is set out in the Annual Return.

We have checked and agreed, by reference to the accounting system's closing Trial Balance and other documents, the content of the Statement of Accounts and summarised information included in the Annual Return for the financial year to 31st March 2013.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

On the basis of the work undertaken during the course of our visit to the Council's offices we have signed off the Internal Audit Certificate at Section 4 of the Annual Return assigning positive assurances in each relevant area.

Action Plan

Rec. No.	Recommendation	Response
Asset Register / Inventory		
R1	The Clerk and Council should ensure that the asset register is expanded to include further basic data, as set out in the body of the report.	