
St Mary Bourne Parish Council

Internal Audit Report 2013-14

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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 appointing a local person to undertake the work on their behalf: 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 15th May 2014, 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, we have again had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts. With the 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 discussed some minor matters where we considered some action was required.

On the basis of work completed at our single 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 uses the Alpha accounting system to maintain the Council's financial records. Three bank accounts are in place; a Current and Business Reserve Account, together with a fixed term investment account with Lloyds TSB. Separate cashbooks are operated in the financial ledger for each of these accounts.

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 and closing trial balance detail;
- Verified that the financial ledger remains "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 (i.e. at 31st March 2014).

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 had adopted Standing Orders and Financial Regulations based on the NALC model documents. These documents are reviewed and re-adopted at the Annual Parish Council Meeting to reflect any changes in national legislation and local working practices.

We have examined the Council 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.

We would also draw members' attention to the recent repeal of Section 150(5) of the LG Act 1972 that previously required all payable orders to be signed by two members: also to approval of the use of electronic banking facilities. We would draw attention to the recent JPAG (Joint Practitioners Accounting Committee) release of an update to the "Governance and Accountability for Local Councils – A Practitioner's Guide" (copy attached) which provides further guidance on the safeguards that need to be implemented should councils

change their approach to banking arrangements. NALC has also recently re-issued updated Financial Regulations that take account of these changes in legislation.

Conclusions

No issues arise in this area at present: we shall continue to monitor the Council's approach to governance issues at next year's review, also considering the outcome of any procedural changes that might arise following the recent legislative changes.

Review of Payments and VAT

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.

We have, due to their relatively small number, examined all payments in the year for compliance with the above criteria with no issues arising.

We also note the preparation and submission of a VAT reclaim for the full financial year, detail of which we have agreed to the Alpha control account detail.

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 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, work is still in hand to develop robust financial risk assessments and registers.

Conclusions

We consider that the level of cover afforded by the Aviva policy in each area is more than adequate for the Council's requirements. We also note that the Council has made some 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 as referenced by several items shown in the council minutes during the year. We shall continue to monitor developments in this area at future visits.

Budgetary Control & Reserves

We note that the Council adopted an unchanged precept of £19,572 for 2014-15 at its January 2014 meeting to supplement the CTS Grant to be received from Basingstoke and Deane Borough Council: we also note that a half-yearly review is carried out by members comparing actual performance against the approved budget. We have reviewed the year-end outturn to determine whether or not any significant and unexplained variances exist with none apparent apart from those areas centred around the year-on-year changes associated with Project expenditure.

We have also reviewed the level of retained balances at the year-end, noting that the Council has now created a few Earmarked Funds. The total value of £50,122 retained funds represents over a year's expenditure and is considered more than appropriate to meet the Council's ongoing revenue spending plans and development aspirations.

Conclusions

No issues have been identified in this area this year warranting formal comment or recommendation.

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 examining all nominal income codes to ensure that the allocation of income is correct and we are again pleased to report that no issues have arisen from our review.

Conclusions

We are pleased to report that the income systems appear to continue 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 note that the services of a payroll provider have been used in 2013-14 in order to ensure compliance with Real Time Information submission requirements.

We have verified the clerk's monthly salary to the approved NJC pay scales, including payment of the nationally agreed 1% increase from 1st April 2013, also noting ratification of the award by Council. 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 similar with 2012-13 but with minor amendments. Current audit regulations require that asset values are disclosed in the Annual Return based on their purchase cost, where known or a proxy value as reported previously where unknown.

Consequently, Annual Return detail should now reflect the prior year value amended only to reflect the purchase cost of new assets acquired in the year or the previous nominal cost of assets disposed of.

We have previously suggested that, in order to assist the Council in assessing future budget requirements in respect of asset replacements, the register should also include the annually uplifted insurance value, which generally approximates to replacement cost. We note that the register as at 31st March 2014 is in the same format as last year: we have discussed this issue with the clerk who has agreed to update the working paper to include further detail as suggested in the body of last year's report.

Conclusions

No issues arise warranting formal recommendation this year: we shall ensure at next year's visit that appropriate action is taken as agreed by the clerk to update and expand the detail in the asset register.

Investments and Loans

The Council holds a one-year investment which matured in February 2014, but was re-invested soon after, detail of which we have checked and agreed to the bank's third party confirmation documents. No loans are in place either repayable by or to the Council.

Conclusions

No issues arise in this area.

Statement of Accounts & Annual Return

The Clerk has prepared a brief 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, the content of the Statement of Accounts and the summarised information included in the Annual Return for the financial year with amended detail only required in relation to the value of assets disclosed in the Annual Return detail of which was agreed with the clerk during the course of our visit.

Conclusions

No addition issues arise in this area warranting formal comment. 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 Return assigning positive assurances in each relevant area.