
Old Woughton Parish Council

Internal Audit Report 2013-14

Prepared by Alistair Morrison

Stuart J Pollard

Director
Auditing Solutions Ltd

Background and Scope

The Accounts and Audit Arrangements introduced from 1st April 2001 require all Town and Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. This Council was formed in 2012 and has complied with the Audit Arrangements requirements in terms of independence from the Council decision making process by appointing Auditing Solutions Ltd to provide the function to the Council in 2013-14 after using a local auditor in its first year: this report sets out those areas examined during the course of our visit to the Council for 2013-14 on 10th June 2014.

Internal Audit Approach

In conducting our review for 2013-14, we have sought to identify and gain an insight into the operation of the Council's financial procedures and systems, together with gaining an understanding of the governance procedures in place. We have also paid due regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts and Annual Return.

As the Council's Internal Auditor and under the current audit arrangements, we have a duty to complete the internal audit certificate in the Council's Annual Return, which covers the basic financial systems and requires assurances in ten separate areas.

In addition to gaining an understanding of the Council's financial controls and procedures, we have devised a testing strategy in each area which aims to confirm, or otherwise, the effectiveness of the controls in place and to provide us with reasonable assurance as to the soundness of those controls in place.

Overall Conclusion

We are pleased to record that, in the areas examined this year, the Clerk and Council have operated generally effective systems that help ensure that transactions are accurately reflected in the Annual Return that now forms the statutory Accounts of the Council.

We have identified no significant issues in the areas examined warranting formal comment or recommendation and, on the basis of the work undertaken during the audit, we have signed off the Internal Audit Certificate at Section 4 of the Annual Return assigning positive assurances in each area apart from the area referred to above.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries exist within cashbooks or financial ledgers. We have: -

- Agreed the opening balances with the closing balance shown in the Statement of Accounts and certified Annual Return for 2012-13;
- Verified that the spreadsheet maintained cashbook remains “in balance” at the end of the financial year;
- Ensured that the spreadsheet analysis format is appropriate for purpose;
- Checked and agreed detail in the spreadsheet cashbooks of the four Council accounts, with the bank statements agreeing all transactions for the year; and
- Checked and agreed detail on the year-end bank reconciliation, also ensuring the accurate disclosure of balances in the Annual Return.

Conclusions

We are pleased to report that no matters exist warranting formal comment or recommendation in this area. However, in checking the bank reconciliation detail on the main and allotment accounts as at 31st March 2014, we have noted apparent imbalances of £244.50 & £13.14 respectively and are seeking clarification from the clerk on the sources of these imbalances and their satisfactory resolution.

Review of Corporate Governance

Our objective is to ensure that the Council has a robust framework of corporate governance documentation and procedures 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 are pleased to note that appropriate policies and procedures, including Standing Orders and Financial Regulations have been developed, which will be reviewed and updated in accordance with an agreed timetable; and
- We have reviewed the Council’s minutes since its formation, in order to ensure that no issues have arisen or are being considered that might result in ultra-vires expenditure or place the Council’s financial stability at risk.

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. We shall continue to review minutes and monitor the Council's approach to governance issues at future visits, also any changes that may be implemented in relation to the recent legislative changes affecting banking arrangements.

Review of Expenditure

Our aim here is to ensure that: -

- The Council has robust and sustainable procedures in place to ensure that all expenditure is appropriately controlled and complies with legislation;
- Council resources are released in accordance with the Council's approved procedures and 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;
- Official orders have been raised where appropriate for purchases and services provided to the Council;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct columnar analysis has been applied to invoices when processed;
- VAT has been appropriately identified and coded to the control account for periodic recovery.; and
- Authorised signatories have been appointed to countersign payments by cheque.

We have reviewed all payments processed in the year for compliance with the above criteria and are pleased to confirm that no issues have been identified in this respect. We have also verified the accuracy of the VAT claim prepared for the year.

Conclusions

No issues have been identified among the above test sample, with each payment meeting the above criteria.

Assessment and Management of Risk

Our aim 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: -

- Noted that risks are documented in various forms with the register approved by the Council in July 2013; and
- Examined the current year's insurance schedule to June 2014 with Came and Company and consider that cover is appropriate: we note that Public Liability has £10 million cover and Fidelity Guarantee is set at £150,000. The policy is set to run until June 2016.

Conclusions

No issues arise in this area at present: we shall continue to monitor the Council's approach to risk management issues at future visits.

Budgetary Control and Reserves

Our objective in this area is to ensure that the Council has a robust process in place for the determination of its annual budgetary and precept requirements; that the precept has been approved formally by the Full Council and that members receive and monitor performance routinely throughout the year.

We note that the Council considered its budget requirements for 2014-15 at its January 2014 meeting, formally approving and adopting the year's precept at £9,000.

We also note that members receive periodic budget reports identifying actual spending (and income) against planned expenditure.

Conclusions

No issues arise in this area.

Review of Income

The Council receives income from the annual precept and Tree Grants. It also receives Allotment deposits and minor amounts of bank interest and VAT refunds.

Conclusions

No concerns have been identified in this area of our review.

Petty Cash Account

No Petty Cash Account is in operation at the Council, any incidental expenses incurred by the clerk being reimbursed through the standard trader invoicing process.

Review of Salaries

The Council employs one member of staff. We aim, in this area of our review process, to confirm that legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HM Revenue and Customs (HMRC) legislation with proper deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme, as most recently further amended in respect of the bandings to be applied for employees contributions last reviewed from 1st April 2013. To meet that objective, we have: -

- Agreed the amounts paid to the Clerk by reference to the Council's approved pay scale on the annual schedule of rates payable and agreed by members;
- Ensured that tax and NI deductions have been made applying the appropriate tax code and NI Table;
- Noted that the Clerk is not contributing to the pension scheme; and
- Checked and agreed the physical payment of net salaries and the payment over of tax, national insurance and superannuation deductions to third parties.

Conclusions

We are pleased to record that no issues have been identified in this area of our review warranting formal comment or recommendation.

Asset Register

The Annual Return requires disclosure of the value of assets retained by the Council as at 31st March annually. The 1996 Accounts and Audit Regulations also required councils to develop and maintain a register of all assets.

We aim in this area of review to ensure the accurate reporting of all asset values and that the Council is complying with the 1996 Regulations and are pleased to note that the Clerk maintains an appropriate register of assets subject to annual update and revision to record detail of any new acquisitions and disposals.

Assets in the Annual Return are disclosed at purchase cost, whilst, in line with best practice, replacement costs are also considered: we consider that this will assist the Council in the financial planning of future acquisitions and replacements.

Conclusions

No issues arise in this area.

Investments and Loans

Our objective here is to ensure that the Council is maximising its income earning potential whilst ensuring that appropriate funds are held in current accounts to effectively manage its day-to-day financial affairs.

We have noted the current low level of interest return on deposits and that the Council has been assessing its options in this area.

Conclusions

No matters arise warranting form comment or recommendation in this area with the Clerk aware of the need to monitor the Council's banking arrangements and investment opportunities.

Statement of Account and Annual Return

The 1996 Accounts and Audit Regulations require all Councils to prepare annually a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council's financial affairs.

We have checked and agreed the detail contained in Section 1 of the year's Annual Return to the underlying records with no issues arising.

Conclusions

On the basis of the satisfactory conclusion of our programme of cover this year, we have duly signed off the Internal Audit certificate at Section 4 of the Annual Return Assigning positive assurances in each relevant area.