



## **Meppershall Parish Council**

*Internal Audit Report 2018-19*

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*Sally King*

*For and on behalf of  
Auditing Solutions Ltd*

## **Background**

Statute requires all town and parish councils to arrange 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 (AGAR).

This report sets out the work undertaken in relation to the 2018-19 financial year, during the course of our visit to the Parish Council, which took place on 30<sup>th</sup> May 2019

## **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 (AGAR). Our programme of cover has again been designed to afford appropriate assurance that the Council's financial systems remain robust and 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 (AGAR), which requires independent assurance over a number of internal control objectives.

## **Overall Conclusion**

We have concluded that, on the basis of the programme of work undertaken this year, the Parish Council has maintained much improved and more than adequate effective internal control arrangements.

We have completed and signed the "Annual Internal Audit Report" in the year's AGAR, having concluded that the control objectives set out in that report were being achieved throughout the financial year to a standard adequate to meet the needs of the Parish Council.

# Detailed Report

## Maintenance of Accounting Records & Bank Reconciliations

The Clerk has continued to use the Alpha software to maintain the Council's accounting records for the year: we consider the software to be more than adequate for the needs of the Council, being able to provide not only financial accounting information, but also detailed budget performance reports at any stage of the financial year.

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 2017-18 certified closing balances have been rolled forward correctly as opening balances in the 2018-19 Alpha accounting software;
- Ensured that an appropriate coding structure remains in place to provide the necessary information for inclusion in the year-end Statement of Accounts;
- Checked and agreed the full year's financial transactions as recorded in the Alpha accounting software to the supporting Unity Trust bank account statements with no issues arising;
- Verified detail of the year-end bank reconciliation as at 31<sup>st</sup> March 2019 to the supporting Unity Trust bank statements;
- Reviewed the year's detailed transaction reports to ensure that no significant miscoding has occurred;
- Also noted that bank reconciliations are signed off by a Councillor.

### *Conclusions.*

*We are pleased to report that no significant issues have been identified in this area of our review process warranting formal comment or recommendation. We have ensured the accurate disclosure of year-end balances in the Statement of Accounts and AGAR.*

## Review of Corporate Governance

Our objective in this area is to ensure that the Council have a robust regulatory framework 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 note that both Standing Orders and Financial Regulations have been reviewed on and adopted at the Council Meetings held on 12<sup>th</sup> February 2018 and 19<sup>th</sup> January 2018 respectively. It was also noted that they will be formally readopted at the Council Meeting in May 2019 the first meeting of the newly elected council.

We have reviewed the Council's minutes for the year to determine whether any issues exist that may have either a legal or financial impact on the Council and its future financial stability, also considering whether any actions have been taken or are

proposed that might result in ultra vires action or expense with no obvious issues arising.

We thank the Chairman for completing our “Corporate Governance Questionnaire”, which aims to afford us further assurance as to the soundness of the Council’s overall governance arrangements

***Conclusions.***

***We are pleased to report that no concerns have been identified in this area of our review process warranting formal comment or recommendation.***

## **Review of Expenditure & VAT**

Our aim here is to ensure that: -

- 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;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct analysis has been applied in the Alpha cashbook to invoices when processed; and
- Section 137 payments have been identified in the cashbook and are within the Council’s spending limit.
- VAT has been appropriately identified and recorded in such a manner to allow for its periodic recovery.

In view of the relatively low number of transactions, we have examined all payments during the year to ensure compliance with the above criteria. We are pleased to report that all payments are supported by the appropriate documentation.

We note that internet banking is now used for virtually all payments with Council approving the payments, the Clerk inputting the payments on to the Unity Trust internet banking site, these payments being authorised separately by a Councillor.

Finally we note that the VAT claim for the 2017/2018 Financial Year has been submitted to HMR&C and 2018/2019 has been calculated ready for submission.

***Conclusions.***

***We are pleased to report that no concerns have been identified in this area of our review process 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 in order to minimise the opportunity for their coming to fruition. We have: -

- Noted that the Council uses LCRS software for risk assessments. The detailed report for 2018/2019 has been produced and will be formally readopted by the newly elected Councillors at the May 2019 Council Meeting.
- Also note that the Council's insurance cover is provided by Zurich plc and have duly examined the current year's policy schedule which is in force until 30<sup>th</sup> September 2019 to ensure that appropriate cover is in place, noting that both Public and Employer's Liability remain at £12 million and £10 million respectively whilst Fidelity Guarantee stands at £250,000; and,
- Further noted that the Council play area is inspected by the Village Hall Caretaker on a weekly basis, reports of these inspections being submitted to the Clerk. Remedial action is taken as appropriate. Additionally, there is an annual inspection undertaken by a RoSPA accredited contractor.

### *Conclusions.*

*We are pleased to report that no concerns have been identified in this area of our review process warranting formal comment or recommendation.*

## Budgetary Control and Reserves

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and level of precept to be drawn down from the District Council: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise. To meet this objective, we have;

- Confirmed that the budget and precept deliberations for 2019-20 were completed, with a precept of £45,000 being approved by Council at its meeting on 14th January 2018 (minute reg 286.d);
- Reviewed the level of retained funds at the year-end, assessing their adequacy to meet the Council's ongoing revenue spending requirements. As at 31st March 2018, the Total Reserve balance stood at £63,899. The balance of General reserves of £20,997 equates to just over three months average revenue expenditure which is within the guideline of between three and six months' revenue spending.

### *Conclusions and Recommendations*

*We are pleased to report that no concerns have been identified in this area of our review process warranting formal comment or recommendation.*

## Review of Income

The Council has received, in addition to the annual precept, income from bank interest and allotment rentals.

We are pleased to note that allotment fees were reviewed by Council at its meeting on 13<sup>th</sup> November 2017, it being agreed that they would be increased as from 1<sup>st</sup> October 2018.

The allotments are managed using the RBS software system. Tenancy agreements and invoices are posted to the plot holders annually. The council now require a deposit of £50 for new plot holders, we are pleased to note this is then held as an earmarked reserve on the balance sheet.

We have reviewed the financial ledger detail for all other income sources to ensure that no obvious omissions or variances between the years have arisen.

### *Conclusions*

*We are pleased to report that there are no apparent issues in this area of our review process warranting formal comment or recommendation.*

## Petty Cash Account/Clerk's Expenses

The Council does not operate a petty cash account; any out-of-pocket expenses incurred by the clerk being repaid in conjunction with her monthly salary and which we have checked and agreed to the cashbooks as part of our earlier work on cashbook transactions and reviews of payments.

### *Conclusions.*

*We are pleased to report that there are no apparent issues in this area of our review warranting formal comment or recommendation.*

## Salaries and Wages

In examining the Council's payroll function, we aim to confirm 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) legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the revised local government pension scheme. We have: -

- Reviewed the Council's payroll preparation procedures;
- Ensured that the Council has reviewed and approved pay scales for staff for 2018-19 noting that the Clerk commenced employment with the Council on 1<sup>st</sup> April 2018;
- Noted that the payroll is processed by the Clerk using the HMR&C Basic PAYE Tools software;

- Noted that the Clerk and the Caretaker are both paid a “standard” amount each month with supplementary payments being made if overtime is worked;
- Checked to ensure that any enhanced overtime hours are paid in accordance with appropriately prepared and certified time records;
- Checked to ensure that Income Tax and NIC deductions have been made applying the appropriate PAYE codes and NIC Tables;
- Ensured that the appropriate deductions and contributions have been paid over to HMRC in a timely manner; and,
- Verified that the appropriate net pay has been paid to each employee for the month in accord with the summary payments listing and relevant cashbook and bank statement entries.
- Noted that the Clerk’s pension is paid by monthly standing order to Standard Life, an adjustment is made annually to take into account any overtime /extra hours worked.

### ***Conclusions***

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

## **Fixed Asset Register / Inventory**

The Governance and Accountability Manual requires all councils to maintain a register of their assets. We are pleased to note the existence and maintenance of a suitable register of the Council’s Fixed Assets on an excel spreadsheet which is reviewed on an ongoing basis by the Finance Working Group. This has been updated to include additions and disposals in 2018/2019.

### ***Conclusions***

***We are pleased to report that no issues have been identified in this area of our review process warranting formal comment or recommendation; we have verified that the correct values have been accurately reported in the year’s AGAR.***

## **Investments and Loans**

The Council has no funds in investments, nor has it any loans payable by, or to it.

## **Statement of Account and AGAR**

The 1996 Accounts and Audit Regulations required 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 reviewed the Statement of Accounts and AGAR detail prepared, as generated from the accounting software, with no obvious errors or anomalies in the detailed content

### *Conclusions*

*No issues have been identified in relation to the verification of detail in the Statement of Accounts and AGAR this year.*

*On the basis of our detailed work during the course of the year on the Council's systems of financial control and content of the detailed Statement of Accounts and that summarised detail set out in the AGAR, we have signed off the Internal Audit Report of the AGAR assigning positive assurances in each relevant area.*