

INTERNAL AUDIT REPORT 2016-17

ALVELEY & ROMSLEY PARISH COUNCIL

INTRODUCTION

The following audit areas were examined during my visits on 22 February and 23rd May 2017:

Accounting Records; Receipts, Payments; Council's Internal Control arrangements; Risk Assessments; Precept setting & Budgetary Process; Payroll; Bank Reconciliations; Fixed Assets & Insurance; VAT records and Completion of 2016-17 Annual Return. In conjunction minutes were examined together with the Council's website.

OVERALL

Having completed a comprehensive examination of Council records presented to me I have completed page 5 of the Annual Return positively. The standard of administration and system of internal controls relating to the audit areas examined were once again considered to be of a high standard.

I can therefore give reasonable assurance from the audit work undertaken that the Council's financial affairs are properly conducted and free from miss statement however the Council's current website is out of date and the need for a new website requires immediate attention.

DETAILED FINDINGS & RECOMMENDATIONS

The following outlines the areas covered during the internal audit visit:

A Appropriate books of account have been properly kept.

The primary accounts record examined (i.e. the excel ledger) was found to be accurate and provided an excellent audit trail to accounting primary records. Grants and s137 spending being identified separately. The receipts and payments accounting spreadsheets formulae were checked for accuracy.

This internal control objective has been met.

B The Council's financial regulations have been met, payments were supported by invoices/vouchers, and expenditure was approved and VAT was appropriately accounted for.

Total Payments for the year £ 70,750.

Sample testing supported that all payments in the sample (i.e. 30) were agreed to the bank statements, financial accounts, council minutes (following a slight amendment) were appropriately supported by invoices etc. The sample included direct debits.

The accounting records enable VAT to be reclaimed with ease and authorisation supporting the payment can be easily traced in the Council's minutes, councillors initials/signatures were found to be present on all invoices examined and demonstrates that councillors have checked payments to source documentation. Cancelled/voided cheque payments made during the year were satisfactorily accounted for

Powers used by the Council which support payments are documented in the Clerk's schedule of payments, this demonstrates a good understanding of legislation governing parish councils and is commended. The schedule of payments was in several instances not signed as approved by councillors, although annotated as requiring signatures.

I would recommend that councillors reinstate signing off the payment schedule.

Procurement practices examined support that best value is sought by the Council as a broker is used to achieve the best price for street light energy. The playground contractor selected was chosen based on assistance given with the grant application and dependent on its success.

This internal control objective has been met.

C The Council has assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

During the year the Council has assessed and managed the significant and varied financial, operational and physical risks it faces in achieving its key operations, as demonstrated by:

- Its appointment of an internal auditor;
- Councillors conducting independent quarterly internal control checks;
- Arranging inspections of play areas via Shropshire Council;
- Opening a CCLA Public Sector deposit account and spreading risk with regard to funds;
- Carrying out a churchyard risk assessment Aug 2016; outcomes of which discussed Oct 2016;
- Reviewing its insurance needs.

The Clerk presented a review of Business Continuity to Council in April 2017, which considers both financial and operational risks and implications.

This internal control objective has been fully met.

D The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored by the council and reserves were appropriate.

In Year Budget Monitoring & Budget Setting:

Detailed and clear management accounts have been provided by the Clerk for the Council's in year budget monitoring purposes and specifically for budget setting purposes on 20 Dec 2016. These have been used by the Council to set the net expenditure budget (by resolution) for 2017/18 of £64,200. The precept of £49,200 which represents a considerable increase was also approved (by resolution) by Council with the deficit (£15,000) being agreed as being made up from Reserves.

Reserves:

The Council's yearend balance £60,262 is considerably higher than usual however the following specific ear marked reserves are held which total £29,768:

Street Light Replacement	£ 15,000
Neighbourhood Grant	£ 7,000
6 Year St Light Inspection	£ 2,000
Clerk's Gratuity	£ 1,963
Youth Work	£ 1,235
Community Led Plan	£ 1,500
Clock Maintenance	£ 570
Footpaths Maintenance	£ 500

The General Reserve of £30,494 which remains represents approximately 47% of next year's forecasted expenditure. The Council's has made a decision to utilize its reserves in 2017/18 to meet approved budgeted expenditure. Reserves were therefore considered appropriate.

This internal control objective has been fully met.

E Expected income was fully received, and properly recorded and promptly banked and VAT was appropriately accounted for.

Total Receipts for the year £75,603.

A sample of income receipts were satisfactorily traced to banking records and supporting documentation.

Receipts mainly consisted of a precept receipt of £46,712, grant funding £9,995, Neighbourhood Fund grant of £3,969 and SC Small Village Maintenance grant £3,000; these were agreed to Council documentation. VAT receipts relating to 2015/16; and first half of 2016/17 total £9,707, the latter was agreed to accounting records.

This internal control objective has been met.

F Petty Cash – There is no petty cash.

G Salaries to employees and allowances to members were paid in accordance with the Council's approvals and PAYE and NI requirements properly applied.

The Clerk's remuneration to date was checked and found to have been correctly calculated based on his contract; payments being routinely made monthly by standing order. Payroll is now independently processed by a contractor; which in the Auditor's opinion improves existing controls as the Clerk no longer processes his own pay. As a result monthly HMRC submissions could not be examined but pay slip information supported HMRC payments of tax and national insurance payments to date.

The Payments ledger was successfully reconciled to the Clerk's P60 and year end P32 report.

Members received no allowances. **This internal control objective has been met.**

H Assets and investment registers were complete and accurate and properly maintained.

Total assets are shown at historic/nominal cost or insurance valuation on the Annual Return at £113,430. Disposals and purchases are documented in the Fixed Asset Register. The Clerk also maintains a detailed street light inventory.

The Council is currently covered by Ecclesiastical for its insurance, the cover includes employer's liability, public liability and fidelity insurance cover which adequately meets the needs of the Council. The Council's detailed insurance schedule was compared with the Council's Fixed Asset Register and appeared reasonable.

This internal control objective has been met.

I Periodic and year end bank reconciliations were properly carried out.

Regular bank reconciliations are carried out by the Clerk and presented to Council as part of his comprehensive financial reports. Quarterly bank reconciliations are checked by nominated members of the Council as part of their routine corporate governance procedure; which also includes checking a sample of receipts and payments. This is commended.

Two bank reconciliations have been re-performed by the internal auditor, one of which was yearend. Both were found to be accurate. **This internal control objective has been met.**

J The Council's Year End Accounting statement has been prepared on a Receipts & Payments basis, agreed to the cash book, was supported an adequate audit trail to underlying records.

The Statement of Accounts per the Annual Return (page 3) was successfully reconciled to the excel cash book and underlying records. The Variance Analysis report was in the process of being completed by the Clerk and was therefore not examined.

This internal control objective has been met.

Council Meetings & Minutes - A sample of Council meeting minutes and agendas examined confirmed that:

- The necessary number of councillors were in attendance meeting the required quorum.
- Council minutes were appropriately signed, confirming their accuracy.
- Agendas were issued on time giving the required statutory notice of meetings.
- Standing Orders and Financial Regulations had been readopted by the Council.

VAT Reclaims

A random sample of 15 individual VAT transactions were agreed to invoices, supporting the ledger and reclaim made in 2016. The Clerk is in the process of making the final claim for the period 1/10/2016 – 31/3/2017.

Parish Council's Website

The Council's website was examined and found to be seriously out of date, with minutes relating to Jan & Feb 2016 being the most current. Although it is recognized that no specific Government guidance has yet been published as yet for councils with turnovers £25,000 - £200,000. Proper practice as recommended by NALC is to publish requirements set by the Transparency Code for those councils with a turnover below £25,000 and aspire to those over £200,000. **This therefore requires immediate attention to improve transparency.**

Review of 2015-16 Internal Audit and External Audit Recommendations

There was satisfactory evidence of the above reports having been presented to Council and internal audit recommendations having been suitably addressed. Mazars raised no issues. Appropriate notices have been completed and publicly displayed together with a signed copy of the 2015-16 Annual Return. These have not however been uploaded to the Council's website.

In conclusion should the Council have any queries with this report please do not hesitate to contact me; preferably before 9th June 2017. I would like to thank the Clerk Graham for presenting such well organised files.

Sue Hackett

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