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# **Marden Parish Council**

*Internal Audit Report 2017-18 (Interim)*

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## **Background**

All town and parish councils are required by statute to make arrangements 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. Auditing Solutions Ltd has provided this service to Marden Parish Council since 2011-12.

This report sets out the work undertaken in relation to the 2017-18 financial year, during the course of our first interim visit to the Council, which took place on 20<sup>th</sup> October 2017.

## **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. 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, 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 Council has again maintained adequate and effective internal control arrangements. We are again pleased to acknowledge the quality of records maintained by the Clerk and thank her for her assistance, which has ensured the smooth progress of our review process.

# Detailed Report

## Maintenance of Accounting Records & Bank Reconciliations

Our objective in this area is to ensure that 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 Alpha software trial balance detail with that in the 2016-17 Statement of Accounts and certified Annual Return;
- Verified that the financial ledger remains in balance for the year to date;
- Ensured that the cost and expenditure coding structure remains appropriate for purpose;
- Checked and agreed detail of all transactions in the combined Nat West Current and Business Reserve bank account cashbook to the relevant NatWest bank statements for the months of May and August 2017 including all inter account “sweep” transfers;
- Checked and agreed detail of all transactions in the Unity Trust Current Account cash book to the relevant Unity Trust bank statement for the month of September 2017;
- Noted that the NatWest and Unity Trust bank accounts are supplemented by deposit holdings at both National Savings and Santander Banks;
- Verified the accuracy of bank reconciliation detail on the Nat West accounts as at 31<sup>st</sup> May and 31<sup>st</sup> August 2017; and,
- Verified the accuracy of bank reconciliation detail on the Unity Trust account as at 30<sup>th</sup> September 2017.

### Conclusions

*We are pleased to report that no issues have arisen in this area of our review process warranting formal comment or recommendation. We shall undertake further work at our final visit including ensuring the accuracy of transactions as recorded in the accounting records for March 2018 and the accurate disclosure of the combined cash and bank balances in the Accounts and Annual Return.*

## Review of Corporate Governance

Our objective is to ensure that the Council has robust corporate governance documentation and processes in place, and that, as far as we may reasonably be expected to ascertain (as we do not attend Council or Committee meetings) all meetings are conducted in accordance with the adopted Standing Orders and no actions of a potentially unlawful nature have been or are being considered for implementation. We note that:

- Standing Orders and Financial Regulations have been amended and agreed at the Council meeting held on 10<sup>th</sup> January 2017 (minute 134/17 (f) refers). No changes have been made in the current year;
- Tendering limits in the revised Standing Orders and Financial Regulations incorporate the requirements of the Public Contracts Regulations (2015) and are set at the threshold of £25,000 or more;

- Council re-adopted the General Power of Competence at the Annual Parish Meeting held on 10<sup>th</sup> May 2016;

We are once again pleased to acknowledge the existence of a substantial file of the Council's Corporate Policies and Procedures, which we note is subject to periodic review and update, as and when additional documents are approved; and

We have reviewed the minutes of Full Council and Standing Committee meetings (except Planning) held during the year to date to September 2017 to ensure that meetings are conducted in accordance with the Council's regulatory framework, as set out in its Standing Orders, and that no actions have been taken or are being considered that might result in unlawful activity or expense being incurred by the Council.

### **Conclusions**

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

## **Review of Expenditure**

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;
- Members are provided with full details of all payments made at meetings as appropriate and that they are formally verifying the supporting invoices accordingly;
- 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 commenced our review process in this area, examining a sample of 20 payments made during the financial year to date, selecting all those non-salary related payments in excess of £500 plus a more random sample of every 25<sup>th</sup> transaction to ensure compliance with the above criteria. Our sample totals £66,482 and equates to 40% of non-salary related expenditure in the year with all the above criteria met.

We understand that the VAT reclaim for the half year to 30<sup>th</sup> September 2017 has been prepared but not yet submitted to HMR&C.

### **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 shall extend our testing in this area at our final visit to include a sample of payments over the remainder of the year and ensuring***

*compliance with the above criteria, also ensuring the accurate disclosure of the year-end VAT reclaim as a debtor in the Accounts and Annual Return.*

## **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 current insurance schedule to ensure that appropriate cover is in place with Aviva plc until 31<sup>st</sup> May 2018, noting that Public and Employer's Liability cover continues to be in place at £10 million with Fidelity Guarantee at £250,000 and Business Interruption at £20,000, all of which we consider more than adequate to meet the present needs of the Council;
- Noted that the Council hold separate insurance cover in respect of the ride-on mower;
- Noted that appropriate Financial Risk Assessments were appropriately reviewed and re-adopted by the Council in June 2016 and it is intended that these Risk Assessments will be reviewed again in the near future; we take this opportunity to remind the Clerk and members of the now mandatory requirement to review and re-adopt formally within each financial year all risk assessments (Governance and Accountability Manual – 2014 edition refers).and
- Also noted from our examination of risk documentation that, with the approval of Insurers, detailed health and safety inspections in accordance with RoSPA guidelines are undertaken at the Council's play areas on a two weekly basis. We further note that the results of these inspections are recorded and the appropriate action taken where necessary. We understand that the next inspection by Play Inspection Ltd is scheduled to take place in November 2017.

## **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 remind the Clerk and members of the now mandatory requirement to review and re-adopt formally within each financial year all risk assessments (Governance and Accountability Manual – 2014 edition refers); we shall continue to monitor the Council's approach to risk management at future visits.*

## **Budgetary Control and Reserves**

We aim in this area of our work to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount to be precepted on the District Council; that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans.

We note that the discussions regarding the Council's budgetary and precept requirements for 2018-19 are at an early stage and we will review this process at our final visit.

We are again pleased to note that members are provided with detail of monthly receipts and payments transactions, together with detail of bank balances and periodic budget performance reports in excel format, prepared by the clerk and based on the Alpha accounting software.

### **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 shall undertake further work at our final visit including examining the year-end budget outturn and assessing the appropriateness of retained reserves to meet the Council's ongoing revenue spending requirements and any further development plans.*

## **Review of Income**

In addition to the annual precept, the Council receives limited income from a small number of service areas, including the cemetery, the annual Christmas Fayre, the summer holiday play scheme, rental income from the playing field and from Sowden field, together with occasional grants and concurrent funding from the Borough Council.

We have examined the controls in place in respect of the cemetery over the identification and processing of fees arising in respect of interments for the period April to October 2017 ensuring that for each, an appropriate entry has been made in the Burial Register; that all expected supporting documentation, such as undertakers' interment applications, burial or cremation certificates, are in place and that the appropriate fees have been levied and recovered within a reasonable time frame. We have also examined the controls in place regarding memorials for the same period. We are pleased to record that no matters have arisen in this review area, also noting that the fees and charges will be reviewed as part of the 2018-2019 budget process.

We have also examined the income relating to the Summer Holiday Play Scheme checking the bookings register against the schedule of cash and cheques received to the banking of these sums with no issues arising.

Finally, we have examined the detailed nominal income records in the Alpha accounting software to ensure that no significant mis-analyses or other anomalous details are evident.

### **Conclusions**

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

## **Petty Cash Account**

The Council does not operate a formal Petty Cash scheme. We note that monthly cheques are encashed for variable amounts to reimburse staff (and members) for any sundry "out-of-pocket" expenses incurred on submission of a properly authorised and supported claim form, together with till receipts and / or trader invoices.

## **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.

We note that bespoke payroll software provided by Sage Software has been used since 1<sup>st</sup> April 2016 for the production of the monthly payroll for the four permanent members of staff and the casual Play Scheme helpers. Consequently: we have

- Noted that the Clerk puts in place standing orders for payment of salaries at the commencement of the year, any required adjustments being effected at the final payment for the year;
- Examined the staff employment files ensuring that gross standard four weekly payments are being made in accordance with the signed employment contracts for all four permanent staff by reference to the September 2017 payslips;
- Noted that the Clerk and the Administrative Assistant are on an agreed SCP Points scale and the Groundsmen are on a pre-determined salary;
- Verified that the Tax and NIC deductions have been calculated correctly and endeavoured to check that these deductions have been paid over to HMRC in an accurate and timely manner;
- Noted that employees are contributing to "NEST" pensions; and
- Noted that the Council have received the appropriate "Declaration of Compliance" letter from the Pensions regulator regarding the requirements of the LGPS Employer's Discretions Policy as now required under the LGPS 2014 Scheme.

### **Conclusions**

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

## **Asset Register / Inventory**

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We have checked and agreed the asset register detail noting that it identifies both purchase and estimated replacement costs: also, that a photographic record is being maintained, which will assist in any potential police or insurance enquiry in the event of damage to or the theft of the Council's assets.

We have also noted that the clerk updates the Asset register on a regular basis and will issue an updated register by 31<sup>st</sup> March 2018.

### **Conclusions**

***No issues have been identified in this area of our review warranting formal comment or recommendation: we shall ensure the accurate disclosure of asset values in the year's Annual Return, ensuring compliance with the reporting requirements of the Governance and Accountability Manual – "The Practitioner's Guide".***

## Investments & Loans

As recorded earlier in this report, the Council has deposit accounts with National Savings and Santander Bank with no other specific “investments”. Only very limited transactions have occurred in the year on these two accounts, detail of which we have agreed to the supporting bank documentation.

The Council has one residual PWLB loan repayable half-yearly, the first half yearly repayment instalment being processed in July 2017, detail of which we have verified to their third party payment demand as part of the above Expenditure Review process.

### *Conclusions*

*No issues have been identified in this area of our review warranting formal comment or recommendation: we shall ensure the accurate disclosure of the PWLB loan receipt and the residual loan liability in the year’s Annual Return at our final visit.*