

Public Sector Audit

Sancton Parish Council

Internal Audit Report for the year ended 31 March 2018

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Introduction

Part 2, paragraph 5 (1) of the Accounts and Audit Regulations 2015 imposes a duty on Local Councils to “undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

Internal audit is a key component of the system of internal control. The purpose of internal audit is to review whether the systems of financial and other controls over a council's activities and operating procedures are effective.

At the request of the council I have conducted an Internal Audit review of the council's accounting records in respect of the financial year ended 31 March 2018. I have acted independently and, on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in place during the financial year.

The audit has been carried out in accordance with the council's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions and recommendations have been recorded in the table below.

Prioritisation of recommendations

In accordance with good internal audit reporting practice and the Governance and Accountability for Local Councils Practitioners Guide, the recommendations contained in this report have been prioritised. The following 'traffic light' system for the prioritisation of recommendations has been adopted: Page | 3

- Significant weakness in internal control requiring urgent attention.
- Moderate weakness in internal control requiring attention within the current year.
- Minor weakness in internal control, or matters of good practice the council may wish to consider, to be addressed within the current year.

Distribution List

Chairman of the Council

All members of the Council

Clerk to the Council

The findings of the audit are summarised below

	Tests Performed	Findings and Recommendations
1	Have appropriate books of account been properly maintained throughout the year?	<p><u>Appropriate accounting records</u></p> <p>Findings</p> <p>The cash book is maintained on spreadsheets on a receipts and payments basis and is arithmetically correct.</p> <p>It is sufficiently well analysed for the purpose of completing the Annual Return and is complete for the year.</p> <p>Both monthly and a year-end bank reconciliation have been performed and reconciliations are presented to each meeting of the council.</p>
2	Have the council's Financial Regulations and Standing Orders been formally adopted and complied with?	<p><u>Adherence to Financial Regulations and Standing Orders</u></p> <p>Findings</p> <p>The council's Standing Orders and Financial Regulations were reviewed and approved at the council meeting held on the 22nd May 2017.</p>
3	<p>Are payment controls effective and VAT properly accounted for?</p> <p>Has the council recorded s137 expenditure separately and is it within the statutory limit?</p>	<p><u>Adequate payment controls</u></p> <p>Findings</p> <p>I have tested all expenditure within the year. All payments were appropriate and a sample has been agreed to the payment schedules which are included in the minutes presented to council.</p> <p>I have reviewed the payments for occurrence, completeness, accuracy, correct year of account and classification within the council's accounts.</p> <p>I have found no expenditure for unusual items or items which are ultra vires.</p> <p>VAT has been correctly recorded for the current year. Two VAT claims during the year have been checked and all VAT incurred by the council during the period has been re-claimed from HMRC.</p>

		<p>It is noted that a separate account has been maintained for s.137 expenditure. No expenditure has been coded to this statutory power during the year however.</p> <p>The two signature rule has been observed by the council and evidenced by the cheque counterfoils being initialled by two signatories.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● It should never be assumed that registration for VAT purposes means that <i>all</i> value added tax can be recovered. Owing to the complexity of VAT legislation, it is recommended that advice be sought from HMRC when any new projects are undertaken, significant capital expenditure is being considered or any new matters arise.
4	<p>Has the council assessed the significant risks in delivering its activities and services and regularly reviewed the adequacy of these assessments?</p> <p>Is insurance cover appropriate and adequate?</p> <p>Are financial controls documented and regularly reviewed?</p>	<p><u>Assessment of significant risks</u></p> <p>Findings</p> <p>The council's Risk Assessments were reviewed and approved by council on the 19th June 2017. The council maintains detailed Risk Assessments for the Houghton Lane Play Area and the Back Field, Village Field, the pond (including the village pump), Gravel Pits, two cemeteries, financial and general Management and Assets. The assessments were reviewed and updated during May and June 2017.</p> <p>Regular inspections of council sites take place throughout the year and reports are presented to each council meeting. The Play Area is monitored weekly by a councillor and annually by an independent company. Inspections are reported to council monthly and remedial action is taken as necessary. The Play Area weekly monitoring is recorded on Play Area Checklists. The checklists include provision for the recording of action taken and date completed.</p> <p>I have reviewed the council's insurance cover and confirm that the levels of indemnity provided by the policy are adequate.</p> <p>The council's electronic records are protected by backing up electronic information hourly onto UK based cloud storage and monthly to external hard drives, one of which is always stored offsite. I am not aware, however, of the arrangements the council has in respect of the holding and storage of Neighbourhood Watch and volunteers' electronic information to ensure that it complies with both UK Government and the</p>

		<p>Information Commissioners guidance.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● The council may wish to review the arrangements it has in respect of the holding and storage of Neighbourhood Watch and volunteers' electronic information to ensure that it complies with both UK Government and the Information Commissioners guidance. ● On the 25th May 2018 the General Data Protection Regulation (GDPR) will come into effect. This applies to all Town and Parish Councils. The council should, therefore, prepare to comply with the Regulation by: <ul style="list-style-type: none"> • Undertaking an audit of all personal data held including staff, councillors and the public. • Appointing a Data Protection Officer who has sufficient skills and knowledge about the GDPR and other Data Protection laws to adequately discharge the role. <p>More information can be found on the Information Commissioners website, ico.org.uk. The site has links to two useful guides, "GDPR: 12 steps to take now" and "Getting ready for the GDPR checklist"</p>
5	<p>Has the annual precept requirement resulted from an adequate budgetary process?</p> <p>Has progress against budget been regularly monitored and reported?</p> <p>Are reserves adequate and appropriate?</p>	<p><u>Adequate budgetary process</u></p> <p>Findings</p> <p>The council prepared a detailed annual budget in support of its precept.</p> <p>Detailed budget monitoring reports are presented to each council meeting and are signed by the Chairman.</p> <p>Year end balances were £21,479 as at 31/03/18. The balances comprise an earmarked reserve of £4,500 and general reserves of £16,979. General reserves equate to 130% of the 2017/18 Precept which is considered to be high for a council the size of Sancton.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The council may wish to consider increasing its earmarked reserve for the car park, thereby reducing the general reserve to less than the annual precept.

6	<p>Was all expected income fully received in accordance with the current scale of charges, properly accounted for and promptly banked?</p> <p>Were security controls over cash and cash equivalents effective?</p>	<p><u>Adequate income controls</u></p> <p>Findings The precept and grant income of £13,020 agrees to the Council Tax Authority's remittance advices and bank statements.</p> <p>Apart from the Precept, the council received income from HMRC for the recovery of VAT, the cemetery, various grants and donations, Transparency funding, sundry income and a small amount of bank interest.</p> <p>Documentation has been provided in support of all income received during the year and income has been banked without undue delay.</p> <p>I have checked all income received during the year to supporting documentation and the cemetery scale of charges. It is noted that the council reviewed and amended the cemetery scale of charges at the meeting held on the 19th June 2017.</p>
7	<p>Were petty cash payments appropriate and supported by receipts?</p> <p>Was all expenditure approved and reported to members?</p> <p>Has VAT been correctly accounted for?</p>	<p><u>Appropriate petty cash controls</u></p> <p>Findings The council does not maintain a separate petty cash system.</p> <p>All petty expenditure incurred is reclaimed and reimbursed through the normal payments system and is authorised by council together with all other council expenditure.</p> <p>VAT expenditure has been separately analysed and identified in the cash book.</p>
8	<p>Do all employees have contracts of employment with clear terms and conditions?</p> <p>Are salaries to employees and all other payments and allowances paid in accordance with council approvals?</p>	<p><u>Adequate payroll controls</u></p> <p>Findings The Clerk has a formal contract of employment which contains clear terms and conditions.</p> <p>I have agreed all salary and allowances payments to those approved by the council, including any changes during the year.</p> <p>Salary payments have been subject to PAYE and NI regulations and statutory deductions have been paid to</p>

	Has PAYE and NI been correctly deducted and paid to HMRC?	HMRC.
9	Is the asset and investment register complete and accurate and reviewed on a regular basis?	<p><u>Appropriate recording of assets</u></p> <p>Findings</p> <p>The asset register is in the form of a spread sheet which identifies the council's assets, date acquired (if known), the custodian, the purchase price (or nominal value if not known) and the valuation for both insurance and Annual Return purposes and details of any disposals.</p> <p>The register was formally reviewed and approved at the council meeting held on the 22nd May 2017.</p> <p>The additional assets purchased during the year have been correctly added to the register at cost price.</p> <p>The total value of the Asset Register of £31,292 agrees to the declaration on the Annual Return.</p>
10	<p>Were bank reconciliations performed on a regular and timely basis?</p> <p>Has a year-end reconciliation been performed and balanced?</p> <p>Have all bank reconciliations been reviewed by an appointed member and evidenced as such?</p>	<p><u>Adequate bank reconciliations</u></p> <p>Findings</p> <p>Monthly bank reconciliations have been prepared. They are presented in the recommended format to include both of the council's bank accounts and do not contain any unusual or balancing figures.</p> <p>Each of the reconciliations has been signed as authorised by the Chairman.</p> <p>The reconciliations have been presented to council monthly as part of the Finance Reports and minuted as such.</p>
11	Were the year-end accounts prepared on the correct accounting basis and are they supported by adequate working papers and	<p><u>Correct accounting basis and previous Internal Audit Report actioned</u></p> <p>Findings</p> <p>The year-end statements have been prepared on the correct accounting basis (Receipts and Payments) and, therefore, debtors and creditors have not been included.</p>

	<p>adjustments, transfers, contra entries etc. which are fully explained and justified?</p> <p>Is there is an adequate audit trail from underlying records and, where appropriate, have debtors and creditors been properly accounted for?</p> <p>Has the previous year's Internal Audit Report been submitted to council and actioned as necessary?</p>	<p>The statements agree with the cashbook and there an audit trail from underlying financial records to the year-end statements.</p> <p>The Internal Audit Report in respect of 2016/17 was reported to council on the 22nd May 2017 and the recommendations were noted and approved.</p>
12	Has the council met its responsibilities as a trustee?	<p><u>Trustee responsibilities</u></p> <p>Findings</p> <p>I have seen no evidence that the council has responsibility for Trust Funds and the Clerk has confirmed that this is the case.</p>
13	Are council's minutes maintained in accordance with legislative requirements?	<p><u>Correct maintenance of council minutes</u></p> <p>Findings</p> <p>The council's minutes are maintained in a loose leaf format. Each page has been signed as a true record by the Chairman in accordance with the Local Government Act 1972 (Schedule 12.41(2)).</p> <p>All minutes have been consecutively numbered throughout the year with the exception of the second page of the minutes of the meeting held on the 22nd May 2017. The number on this page duplicates the number on the previous page.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The number on the second page of the minutes of the meeting held on the 22nd May 2017 should be amended and initialled by the Chairman in order to comply with legislative requirements.

Executive Summary

The accounts and governance arrangements of the council has been maintained to a very high standard and the assistance of the Clerk of the council in the completion of this audit was much appreciated.

The internal financial control environment within the council is good and the adoption of the above recommendations will serve to further enhance and strengthen the systems, procedures and governance arrangements already in place.

The Internal Audit has been conducted in accordance with the Governance and Accountability for Local Councils – Practitioners Guide 2016.

I confirm that I have no relationship or interest, financial or otherwise, with any member or officer of the council.

Richard Dixon

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25th April 2018

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