
Cheverell Magna Parish Council

Internal Audit Report 2017-18

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Background

Statute requires all town and parish councils to arrange for an independent internal audit examination of their accounting records and systems of internal control and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR). This report sets out the work undertaken in relation to the 2017-18 financial year.

Internal Audit Approach

In undertaking our review for the year, we have had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts/AGAR. Our programme of cover has been designed to afford appropriate assurance that the Council's financial systems are 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 AGAR, which requires independent assurance over ten internal control objectives.

Overall Conclusion

We have concluded that, based on the programme of work undertaken on the 2017-18 papers provided for audit, the Council has demonstrated that adequate and effective internal control arrangements have now been put in place following prior year issues.

We are also pleased to acknowledge the actions taken to address issues identified in last year's report.

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

We again take this opportunity to thank the Clerk for his considerable effort in providing good quality working papers for our review.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliation

The Clerk is maintaining the Council's cashbook accounting records in an Excel spreadsheet, which is considered more than adequate for the volume of annual transactions. It is in columnar form, with a separate column for VAT. Two bank accounts are in operation, both with HSBC.

We have checked and agreed the cashbook entries in full to the bank statements for the financial year also agreeing the year-end cashbook and bank statement reconciliation to ensure there were no anomalous items or out-of-date cheques. No issues were arising during this review.

We are pleased to note that, members continue to review and sign-off bank reconciliations routinely during the year in accordance with section 2.2 of the Council's Financial Regulations.

Conclusions

We are pleased to report that no issues arise in this are this year warranting formal comment or recommendation.

Review of Corporate Governance

We again note the positive action taken by the Council to improve the Council's governance controls during the year. We noted in last year's report that revised Standing Orders and Financial Regulations (SOs and FRs) were approved and adopted by the Council in March 2017 taking account of the new requirements as set out in the latest NALC model documents extant at that time. We now note that the Council further reviewed these in March 2018, agreeing that no changes were necessary. However, the Council has subsequently received, reviewed and adopted, at the May 2018, meeting the very recently issued NALC model SO update.

We note that the limit for formal tender action in both SOs and FRs is set at the NALC model level of £25,000, which we consider potentially too high for a Council with total reserves of £19,000 and an annual turnover of less than £13,000. We suggest that a more appropriate level for formal tender action would be better set at £10,000.

We have examined the Council minutes for the year and to date in 2018-19 to determine whether any issues exist that may have either a legal or financial impact on the Council and its future financial stability, whilst also ensuring that the Council has neither considered or is considering any actions that may result in ultra vires expenditure.

The requirements of the Transparency Code became mandatory for smaller Councils from 1st April 2015. We are pleased to note the positive action taken by the Council over the past year to ensure compliance with the disclosure requirements.

Conclusions and recommendation

No significant issues arise from our review process in this area this year, although as indicated above, we consider that, as indicated above, a lower value for formal tender action would be more appropriate.

R1. The Council should consider setting a lower value for formal tender action at around £10,000, rather than the NALC model value of £25,000.

Review of Payments

We aim in this area to ensure that the Council has appropriate procedures and controls in place to ensure that all payments are subjected to appropriate scrutiny and evidenced payment approval prior to their release. Due to their relatively low number, we have reviewed all payments made during the year to ensure that the following criteria were met:

- Payments were supported by a trade invoice or acknowledgement of receipt.
- VAT has been calculated correctly and is recovered at appropriate intervals.
- The Council at a Council meeting approved each payment.
- Payments have been correctly analysed in preparation of the year-end Statement of Accounts.
- Section 137 payments have been identified in the cashbook and are within the Council's spending limit.

We are pleased to note the further improvement in the operative procedures for approving and releasing payments to local traders, etc. with the majority of payments now processed by cheque signed by two councillors. We also note that, following our recommendation last year, all payments, with the exception of DDs and SOs, now have a detachable certification slip attached identifying the payment voucher and cheque numbers, cheque date, whether within budget or not (if not the relevant approving minute and meeting date) and signatures of the two cheque signatories.

We also note that the suggestion to acquire a rubber certification stamp in our last report was rejected by members, but now note that the invoices themselves are also being "signed-off" by members.

We are pleased to report that VAT has been identified correctly in the cashbook totalling £947.46 and reclaimed from HMRC on 3rd April 2018.

We are also pleased to note that payments are now recorded as having been formally approved at a Council meeting.

Conclusions

We are pleased to record that no significant issues exist in this area.

Assessment and Management of Risk

We are pleased to note that the Council's Risk Register has been discussed and approved at least once during the financial year, the latest occasion being at the March 2018 meeting.

The Council's insurance cover is provided by Zurich Municipal via Community First. Cover for the year includes Public and Employers Liability at £10m each and Employee dishonesty / Fidelity Guarantee at £25,000.

Conclusions

There are no significant matters arising from our review of this area: we note that members, following our previous recommendation and their due consideration determined to retain Fidelity Guarantee cover at the present level.

Budgetary Control and Reserves

The minutes of the January 2018 Council meeting, together with other relevant supporting papers, afford sound indication that members have considered and agreed the detailed 2018-19 budget and precept requirement, setting the latter at an increased value of £9,919, and minuting the adopted value accordingly.

We note that members continue to be presented with financial information at meetings and that due care is taken not to exceed budgets when payments are discussed and authorised.

The total value of reserves has decreased during the year to £19,400 (£22,700 at 31st March 2017). We note that earmarked reserves are in place leaving the General Reserve fund balance at around six months' revenue spending at the 2017-18 level.

Conclusions

No issues arise from this area of our review.

Review of Income

The Council's has received only limited income during 2017-18 in the form of the annual precept, together with a wayleave and bank interest on the HSBC deposit account.

Conclusions

We are pleased to record that no issues arise in this area.

Petty Cash Account

The Council does not operate a petty cash account. Any out-of-pocket expenses incurred by the Clerk in connection with their work for the Council are reclaimed and paid by separate cheque processed in the same manner as all trader payments.

Review of Staff Salaries

The Council only employs a Clerk. The current Clerk commenced employment with the Council from November 2016: we are pleased to note the existence of an employment contract setting the Clerk's salary on the national spinal point of 29 for 7 hours per week.

The NJC pay scale applying in 2017-18 was part of a national agreement with implemented over 2016-17 and 2017-18 effective from 1st April each year. We have checked the monthly gross salary paid monthly during the year noting that the Council approved payment of the

1st April 2017 pay award part way through the year but backdated appropriately and arrears paid.

However, in checking the gross amount payable, it appears that payment is being made based on 30 hours per month rather than the true value of 30.33. (i.e. $7 * 52 / 12$). Notwithstanding that, the easiest and most appropriate way of calculating the monthly salary payable is to divide the approved weekly hours (7) by 37 (basic NJC working week) multiplied by the annual salary and divided by 12 months.

We also note that the Clerk's earnings are below the tax payable threshold based on his tax code, similarly that the monthly earnings are below the NI threshold.

Conclusions and recommendation

No significant issues arising in this area, although the Council should decide whether arrears of the underpaid salary in 2017-18 are paid to the clerk, also ensuring that the appropriate basis for calculating the monthly gross salary is applied in future.

R2. The correct basis for calculating the Clerk's monthly salary should be applied in future, with members determining whether any arrears due to the underpayment of salary during 2017-18 is paid to the Clerk.

Asset Registers

The Governance and Accountability Manual requires all Councils to maintain a record of all assets owned and are pleased to note compliance with this requirement.

The AGAR reporting arrangements now require that asset values are reported at purchase cost or, where that value is unknown, at the previous year's Return value uplifted or decreased to reflect the acquisition of any new assets or disposals. We are pleased to note that the purchased assets have been correctly included in the AGAR at Section 2, Box 9 at the purchase cost net of VAT.

Conclusions

No issues arise from this area of our review.

Investments and Loans

The Council has no funds placed in investment accounts currently, nor are any loans in existence repayable either by or to the Council.

Statement of Accounts and AGAR

The AGAR now provides the formal statutory accounts of the Council subject to external audit certification. We have checked the detail disclosed in the 2017-18 AGA Rat Section 2 agreeing it to the underlying cashbook and other relevant records, with no issues arising.

Conclusions

Based on the satisfactory conclusion of our review programme for the year with no significant issues arising, we have duly signed off the Internal Audit Report section of the AGAR assigning positive assurances in each relevant area.

Rec. No.	Recommendation	Response
Review of Corporate Governance		
R1	The Council should consider setting a lower value for formal tender action at around £10,000, rather than the NALC model value of £25,000.	Accepted. Amendments will be made to the appropriate sections of Standing Orders and Financial Regulations, which will be approved at the July meeting and made available on the Council's website.
Review of Staff Salaries		
R2	The correct basis for calculating the Clerk's monthly salary should be applied in future, with members determining whether any arrears due to the underpayment of salary during 2017-18 is paid to the Clerk.	Accepted. Future salary payments will be calculated on a weekly basis (although monthly payment will still be made), and arrears of pay will be calculated and paid to the Clerk.