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# **Hannington Parish Council**

*Internal Audit Report 2016-17*

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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 the Council since the outset of the “Limited assurance” audit arrangements. This report sets out the work undertaken in relation to the 2016-17 financial year.

## **Internal Audit Approach**

In undertaking the 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 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 satisfactory conclusion of our annual programme of work, the Council has again maintained adequate and effective internal control arrangements.

We have completed and signed the ‘Internal Audit Report’ in the year’s Annual Return, having concluded that, in all significant respects, 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 Council.

# Detailed Report

## Maintenance of Accounting Records and Bank Reconciliations

The cashbook has been maintained in manuscript format, which, given the limited number of transactions is accepted as adequate for the needs of the Council, although, as indicated in last year's report, we suggest that a simple spreadsheet record be maintained with appropriate columnar analysis of income and expenditure across the various categories with VAT and the net payments recorded appropriately. We have checked and agreed the detailed entries therein for the year to the Council's bank statements, also verifying the accuracy of data in the year-end bank reconciliation, noting that no long-standing un-presented cheques or other anomalous entries exist.

### *Conclusion*

*We are pleased to report that there are no issues arising in this area warranting formal comment or recommendation, although we suggest that the cashbooks be maintained in spreadsheet rather than manuscript format.*

## Review of Corporate Governance

Our objective here is to ensure that the Council has 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. To meet that objective, we have:

- Reviewed the Council's minutes for the year in order to ensure that no issues affecting the Council's financial stability either in the short, medium or long term exist, also that no legal issues are apparent whereby the Council may either be considering or have taken decisions that might result in ultra vires expenditure being incurred;
- Noted that Standing Orders (SOs) and Financial Regulations (FRs) were both reviewed and re-adopted by the Council in September 2016.

We note the extensive work completed by the Council in order to meet the requirements of the Transparency Code and have viewed the documents shared on the new website (<https://www.hugofox.com/community/hannington-parish-council-hampshire-7641/201617/>) We were unable to find two sets of minutes on the website (September and December 2016) although note that all accompanying papers were available.

### *Conclusions and recommendation*

*We are pleased to note that there are no significant issues arising in this area with just one recommendation arising.*

- R1. The Council should ensure that all minutes are posted to the website in order to fully meet the requirements of the Transparency Code.*

## Review of Expenditure & VAT

Given the relatively low number of payments made during the course of the financial year, we have examined all 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; and
- Section 137 payments have been identified in the cashbook and are within the Council's spending limit.

We note that in accordance with the detail in the 2015-16 cashbook, a VAT reclaim for £401.30 was submitted to and repaid by HMRC in November 2016. We have seen no evidence that a VAT reclaim has, as yet, been prepared covering 2016-17 expenditure and suggest that, if not already actioned, a reclaim be prepared and submitted as soon as is practicable.

### *Conclusions*

*We are pleased to report that no significant issues have been identified in this area.*

## Assessment and Management of Risk

We are pleased to note that the Council reviewed in detail and then formally approved the risk register at the September 2016 meeting.

Insurance cover has been provided by Maven in 2016-17: examination of the policy's content indicates that an appropriate level of cover exists for the Council, with Employer's and Public Liability cover both in place a t£10 million and Fidelity Guarantee at £50,000.

### *Conclusions*

*We are pleased to report that no significant issues have been identified in this area.*

## Budgetary Control & Reserves

The Council's minutes, together with the supporting papers provided to Council, indicate that members have considered and agreed the 2017-18 budget and formally minuted the 2017-18 precept at the meeting in December 2016, formally adopting an increased precept of £6,703.

We are again pleased to note the reporting of actual spending against approved budget during the course of the financial year.

We have reviewed and assessed the appropriateness of the Council's retained reserves to meet ongoing spending requirements, noting that the year-end balance at 31<sup>st</sup> March 2017

has increased slightly to £6,205 from £6,070 at 31<sup>st</sup> March 2016. We note that the Council decided to create one earmarked reserve during the year, putting £1,000 aside as a “provision for repair and maintenance of un-adopted roads”. The remaining general fund balance equates to approximately seven months’ revenue expenditure at 2016-17 levels and is considered appropriate for the Council’s ongoing spending requirements.

### *Conclusions*

*We are pleased to report that no significant issues have been identified in this area.*

## **Review of Income**

The Council receives income from limited sources, primarily by way of the annual precept and grant, plus periodically recovered VAT and occasional grants. We have verified detail of these amounts as part of our cashbook review referred to previously in this report.

### *Conclusions*

*No matters arise in this area of our review.*

## **Petty Cash Account**

*The Council does not operate a petty cash account. Any out-of-pocket expenses incurred by the clerk in connection with his work for the council are reclaimed periodically and paid by separate cheques, which are minuted and approved as with ordinary trade invoices.*

## **Salaries and Wages**

We are pleased to note that the Council reviewed the clerk’s salary during the year, approving payment of the national pay award effective from 1<sup>st</sup> April 2016.

We have checked the basis of the payments made to the clerk during the year, also noting that tax is being deducted appropriately and paid over to HMRC accordingly.

### *Conclusions*

*No issues arise in this area warranting formal comment or recommendation.*

## **Asset Registers**

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We are again pleased to note compliance with this requirement, the Clerk maintaining a suitable register. Extant guidance now requires that asset values are reported in the Annual Return at purchase cost or, where that value is unknown at the previous year’s Return level uplifted or decreased to reflect the acquisition of any new assets or disposals.

The asset value disclosed in the Annual Return at Section 2, Box 9 (£14,252) does not match that in the Asset Register (£15,822). This is because £1,570 of new IT assets purchased in the year are not included in the Annual Return figure.

As well as this increase in assets, the Council decided to write off some of its oldest assets (some seats and a bus shelter). The value of these write offs was £4,442 and has been reflected both in the asset register and in the Annual Return value.

### ***Conclusions and recommendation***

***The Council has continued to comply with requirements to maintain a fixed asset register: however, it would appear that the new IT assets on the register are not included in the year's Annual Return.***

R2. *The Council should amend box 9 of the Annual Return to agree to the asset register (£15,822).*

## **Investments and Loans**

***The Council has no funds in investments and there are no loans in existence.***

## **Statement of Accounts and Annual Return**

We have examined and agreed the content of the Statement of Accounts and Annual Return for 2016-17 to the underlying records maintained by the Council with no issues arising.

### ***Conclusions***

***We are pleased to record that no issues have arisen from our review of the Accounts or Annual Return. Consequently, we have "signed off" the Internal Audit Report in the Annual Return assigning positive assurances in each relevant area.***

<b>Rec. No.</b>	<b>Recommendation</b>	<b>Response</b>
<b>Review of Corporate Governance</b>		
R1	The Council should ensure that all minutes are posted to the website in order to fully meet the requirements of the Transparency Code.	
<b>Asset Registers</b>		
R2	The Council should amend box 9 of the Annual Return to agree to the asset register (£15,822).	