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# **Hannington 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 system 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 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/AGAR. 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' as part of the Council's AGAR process, which requires independent assurance over ten internal control objectives.

## **Overall Conclusion**

Based on the satisfactory conclusion of our annual programme of work, we are pleased to conclude that the Council has again maintained adequate and effective internal control arrangements.

We have duly completed and signed the 'Internal Audit Report' in the year's AGAR, 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

A manuscript cashbook has been maintained, which, given the very limited number of transactions is considered appropriate for the needs of the Council with gross payments and VAT identified. 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 unpresented 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.*

## 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 reasonably 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 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;
- We have, however, noted that, in approving the precept for 2018-9, the actual precept value has not been minuted formally, reference only being made to a percentage increase over the prior year value;
- Noted that Standing Orders (SOs) and Financial Regulations (FRs) were both reviewed and re-adopted by the Council in September 2017.

We are pleased to again note the comprehensive work completed by the Council in developing an appropriate website now meeting the requirements of the Transparency Code and have viewed the documents shared on the site with no issues arising other than noting that the final external audit report appears to have not been posted, although we acknowledge that the minutes record detail of its content.

### *Conclusions and recommendation*

*We are pleased to note that there are no significant issues arising in this area this year. However, we draw the clerk and Council's attention to the recent NALC publication of revised Standing Order, which take account of recent legislative changes in relation to procurement (Public Contracts Regulations 2015) and GDPR related matters. We commend these as a sound basis for the Council to use when next reviewing and updating*

*its own documentation. We have provided the clerk with a soft copy of the document, together with the slightly older revised NALC model Financial Regulations.*

- R1. *The Council should undertake a further review of its Standing Orders and Financial Regulations, ensuring compliance with the recent legislative changes in procurement arrangements and GDPR issues.*
- R2. *The value of the precept for 2018-19 should be formally minuted retrospectively at the next Council meeting, rather than just the percentage increase over the prior year value.*

## **Review of Expenditure & VAT**

Given the relatively low number of payments made during the c 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 are pleased to note that a VAT reclaim for 2016-17 was prepared, submitted and repaid by HMRC.

### ***Conclusions***

*No issues have been identified in this area warranting formal comment or recommendation.*

## **Assessment and Management of Risk**

We are pleased to note that the Council reviewed in detail and formally approved the risk register at the September 2017 meeting.

We have examined the insurance schedule noting that appropriate cover exists for the Council, with Employer's and Public Liability cover both in place at £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 2018-19 budget, although, as recorded above, the actual value is not formally minuted.

We are again pleased to note reporting of actual spending against approved budget during 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 2018 has increased to £8,926 (£6,205 as at 31<sup>st</sup> March 2017). We note that the Council has minuted the establishment of four earmarked reserves during the year totalling £4,100 with further consideration to be given to a further 'Earmarked Reserve' for the Repair and Maintenance of the Wellhead. In the light of the probable establishment of this further reserve, we consider the level of retained General Reserve to be appropriate for the Council's ongoing revenue spending: we draw attention to the generally accepted guidance that the General Fund balance should be retained at between three and six months; revenue spending.

### ***Conclusions***

*No issues have been identified in this area warranting formal comment or recommendation.*

## **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 2017.

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 AGAR at Section 2, Box 9 (£13,584) corresponds to that in the Asset Register reflecting the disposal of some noticeboards during the year with a previously recorded value of £2,238 in the asset register.

Many of our clients are now also developing a photographic register of exposed assets, such as street furniture: we consider this to be an example of best practice as it provides the Council with clear evidence of the condition of fixed assets and would assist in the event of any insurance reclaim or police investigation being necessary following damage to or theft of such assets

### *Conclusions and recommendation*

*No matters arise in this area this year, although, as above, we suggest that the Council should consider development of a photographic register of assets.*

*R3. Consideration should be given to the development of a photographic register of assets to assist in the event of any insurance claim or police investigation becoming necessary.*

## **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 AGAR for 2017-18 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 detail in the year's AGAR. Consequently, we have "signed off" the Internal Audit Report assigning positive assurances in each relevant area.*

Rec. No.	Recommendation	Response
<b>Review of Corporate Governance</b>		
R1	The Council should undertake a further review of its Standing Orders and Financial Regulations, ensuring compliance with the recent legislative changes in procurement arrangements and GDPR issues.	
R2	The value of the precept for 2018-19 should be formally minuted retrospectively at the next Council meeting, rather than just the percentage increase over the prior year value.	
<b>Asset Registers</b>		
R3	Consideration should be given to the development of a photographic register of assets to assist in the event of any insurance claim or police investigation becoming necessary.	