Ashingdon Parish Council

Internal Audit Report 2013-14

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Background and Scope

The Accounts and Audit Arrangements introduced from 1st April 2001 require all Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. The Council implemented the process at its outset using a local person and appointed us, at Auditing Solutions Ltd, subsequently to provide the service to the Council from 2006-07.

This report records detail of the work undertaken for 2013-14 during our visit on 23rd April 2014.

Internal Audit approach

In undertaking our review we have, as previously, had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts. However, in view of the relatively low number of transactions throughout the year, we have employed direct substantive testing techniques again this year.

The report summarises our conclusions on each of the key areas covered by the Internal Audit Certificate at Section 4 of the Annual Return and can be made available to the Council's external auditors, on request, should they require any further assurances in any areas.

Overall Conclusion

We are again pleased to conclude that the Council has effective systems in place to ensure that transactions are accurately reflected in the Statement of Accounts and that the Annual Return detail is in accord with the underlying records of the Council. We wish to express our appreciation to the Clerk for the excellent standard of documentation again provided for our review.

On the basis of the work completed this year we have duly signed off the Internal Audit Certificate at Section 4 of the Annual Return, assigning positive assurances in each relevant area.

Detailed Report

Accounting Records and Bank Reconciliations

The Clerk has continued to maintain the Council's financial records using a spreadsheet based system, which we consider appropriate for purpose containing, as it does, relevant analysis to assist in the production of a detailed Statement of Accounts at the financial year-end and a basis for the routine monitoring of actual income and expenditure against the approved budget.

In order to verify the accuracy of the year-end detail disclosed in the Annual Return, we have checked and agreed detail of all transactions in the cashbook to the bank statements for the year with no issues identified; and

We are pleased to note that members continue to be provided with monthly bank reconciliations and have checked and agreed the position as at 31st March 2014 to the relevant Co-Op Bank's Current and Deposit Account statements, also ensuring the accurate disclosure of the combined closing balance at Box 8, Section 1 in the Annual Return.

Conclusions

There are no issues arising from this area of our review work.

Review of Corporate Governance

There has been a wealth of legislation in the past few years including, inter alia, a further revision to the Member's Code of Conduct following issue of the Localism Act 2011, Freedom of Information Act and associated Scheme of Publication and the revised Accounts and Audit Regulations. Our objective in this area is to ensure that the Council has complied with all extant legislation and has developed and maintained an appropriate governance regime.

We have continued our examination of the Council's minutes for the year to ensure that no issues exist or are developing that may have an adverse effect on the Council's financial stability either currently or in the foreseeable future, also that, as far as we may reasonably expect to ascertain, no potentially unlawful actions or spending appear to have occurred.

We are pleased to note that the Council reviewed and re-adopted both Standing Orders and Financial Regulations at the May 2013 meeting, also re-adopting the previously prepared risk assessment.

We noted in our 2012-13 report the formal adoption of the Rochford DC Code of Conduct following enactment of the Localism Act 2011, together with the Power of General Competence having met all the necessary qualifications.

We are again pleased to acknowledge the formal feedback to our Governance questionnaire as part of the updated internal audit programme and consider the responses to be more than adequate with evidence of effective governance control by members.

We would also draw members' attention to the recent repeal of Section 150(5) of the LG Act 1972 that previously required all payable orders to be signed by two members: also to approval of the use of electronic banking facilities. We would draw attention to the recent JPAG (Joint Practitioners Accounting Committee) release of an update to the "Governance and Accountability for Local Councils – A Practitioner's Guide" which provides further guidance on the safeguards that need to be implemented should councils change their approach to banking arrangements. NALC has also recently re-issued updated Financial Regulations that take account of these changes in legislation.

Conclusions

We are pleased to record that no significant matters have been identified in this area this year warranting formal comment or recommendation.

Review of Payments

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;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount: we have also examined the purchase ledger detail to ensure that detail is in line with the nominal accounts; and
- VAT has been appropriately identified for periodic recovery.

Due to the relatively low number of annual transactions, we have examined all payments in the year to ensure compliance with the above criteria and are pleased to record that no issues have been identified with all the criteria duly met.

We also note that the Clerk continues to submit manual VAT reclaims to HMRC (generally at the end of each quarter) and have checked and agreed the December 2013 submission to the underlying cashbooks, also noting that the final quarter's reclaim had still to be submitted at the date of our visit.

Conclusions

We are pleased to record that no issues arise in the current year under review, all criteria being met in full.

Assessment and Management of Risk

We are pleased to note that the previously prepared risk register has been the subject of further review and re-affirmation (May 2013): we also note that the Council has approved and acquired the LCRS risk management software, which we consider will further enhance the Council's formal documentation in this respect once completed: the Clerk has this "in hand currently.

We note that insurance cover is provided by Zurich plc: we have examined the 2013-14 policy schedule and consider that an appropriate level of cover exists for the Council’s current needs, with Public Liability increased to £12 million, Employer’s Liability unchanged at £10 million and Fidelity Guarantee increased to £100,000.

Conclusions

We are pleased to record that no significant matters have been identified in this area this year warranting formal comment or recommendation.

Budgetary Control and Reserves

We note that members have considered the budgetary and precept requirements for 2014-15 in depth, formally adopting a marginally increased precept of £48,977, excluding the “support grant” of £2,651, as formally minuted as approved the January 2014 meeting of the Council.

We are again pleased to note that quarterly periodic budget reports continue to be provided to members during the financial year. We have examined the year-end outturn, noting a limited increase in the excess of income over expenditure of approximately £3,000.

Total Reserves as at 31st March 2014 stand at £46,785 comprising specific “earmarked” items of approximately £33,000 with a residual General Fund balance of £14,000, which represents four months’ expenditure at current levels and sits comfortably within the CiPFA guideline of three to six months revenue spending.

Conclusions

No specific issues arise in this area of our review process this year.

Review of Income

The Council has only limited sources of income, none of which require additional internal audit examination, other than agreement to bank statements and supporting documentation, which has been undertaken accordingly.

Conclusions

There are no issues arising from this area of our work.

Petty Cash Account

The Council does not operate a formal petty cash account, any “out-of-pocket expenses” incurred by the Clerk or members being reimbursed each month through the routine payment process, detail of which we have checked and agreed in full for the year as noted earlier in this report.

Salaries and Wages

Our aim here is to ensure that the Clerk and the Litter Picker are paid in accordance with the terms of their contracts of employment and that, where appropriate, Income Tax and National Insurance deductions have been correctly deducted and paid over to HMRC accordingly.

The Council continues to use the services of Acumen as the payroll bureau provider for the Council: based on our extensive experience of the quality of service provided by them elsewhere, we have checked detail of the content of payslips for both employees for a sample month (March 2014) agreeing the gross salary payable, tax and national insurance deductions and the resultant net payments to both employees.

Ordinarily we would check the submissions of the Annual PAYE Returns to HMRC but, subsequent to the introduction of electronic, payment returns under the revised Real Time Initiative legislation, these are no longer required.

Conclusions

We are pleased to record that no issues have been identified in this area this year.

Asset Registers

The Accounts and Audit Regulations 1996 (as amended periodically) require that all Councils establish and maintain inventories / asset registers of buildings, land, plant and equipment, etc. owned by them.

We are pleased to again note that a formal asset register is in existence and that the appropriate computation methodology of values to be reported in the Annual Return, following the revised Practitioners' Guide advice in this area issued in 2010, as recorded in a prior year's report, has been observed.

Conclusions

We are pleased to record that no issues have been identified in this area this year, noting that the asset value recorded at Box 9, Section 1 of the Annual Return remains unchanged from the 2012-13, with no new assets acquired or disposals occurring during the year.

Investments and Loans

The Council holds no long-term investments requiring disclosure in the Statement of Accounts, nor are there any loans with external bodies in existence repayable by or to it.

Statement of Accounts and Annual Return

We have verified the accuracy of detail in the Annual Statement of Accounts to the underlying cashbook and other supporting documentation, also verifying the correct transfer of data to the Annual Return for 2013-14.

Conclusions

No issues have been identified in this area of our review and, on the basis of the work completed on the Council's Accounts and other relevant supporting documentation this year, we have duly "signed off" the Internal Audit Certificate at Section 4 of the Annual Return assigning positive assurances in each relevant area.