
Hockley Parish Council

Internal Audit Report 2015-16 (Final)

Prepared by Nigel Archer

*For and on behalf of
Auditing Solutions Ltd*

Background and Scope

The Accounts and Audit Arrangements introduced from 1st April 2001 and amended periodically require all Town and Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. The Council complied with the requirements in terms of independence from the Council decision making process appointing a local person to undertake this work from the outset of the revised Regulations. Subsequently, we at Auditing Solutions Ltd were contacted and appointed to undertake the work for 2008-09 and thereafter.

This report sets out those areas examined during the course of our recent final visit to the Council, which took place on 18th May 2016, and supplements the interim work undertaken on 6th November 2015.

Internal Audit Approach

In concluding our audit review for 2015-16, we have continued to have regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts and Annual Return, examining the Council's fundamental financial and other governance control systems to provide assurance to members and the local electorate that they continue to operate effectively.

Overall Conclusion

We are pleased to report that, in all areas examined for the year, we have no formal recommendations to raise warranting further enquiry by officers currently: one or two minor items were discussed with the Clerk / RFO during the course of our previous interim visit, with appropriate remedial action agreed at the time and subsequently actioned.

The Council continues to engage the external contract services of DCK Beavers Ltd for the Omega accounting software close-down and production of final Statements of Account and Annual Return detail. At the time of this final visit, whilst a contractor had recently attended the Parish offices and closed-down, the final Accounts production was outstanding and we shall ensure this is provided to us "remotely" in due course. Notwithstanding this, we have signed off the Internal Audit Certificate at Section 4 of the Annual Return (as no further matters are anticipated), leaving the original document with the Clerk for completion when the detail for Section 2 is provided prior to submission to members and onward transmission to external auditors.

This report has been prepared for the sole use of Hockley Parish Council. To the fullest extent permitted by law, no responsibility or liability is accepted by Auditing Solutions Ltd to any third party who purports to use or rely on, for any reason whatsoever, this report, its content or conclusions.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Council is continuing to use the bespoke Omega software to maintain its accounting records, with periodic support and advice provided by third party contract accountants (DCK Beavers Ltd). There is now only one operational bank account currently maintained at Barclays plc, that previously in place for the Hall having been closed, although we note from minutes and verbal discussion with the Clerk during this and previous visits that officers continue to consider the transfer of its bankers to an alternate, currently selected to be the Co-Operative Bank, but no changes had been effected prior to March 2016. At present, two additional supplementary Tracker and Base Rate Saver Reward bank accounts are in place at Barclays with no periodic Term deposits held.

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. We have consequently: -

- Checked and agreed the opening trial balance detail in the financial software for 2015-16 with the closing detail contained in the 2014-15 Statement of Accounts and Annual Return.
- Ensured that the financial ledger remains “in balance” at the present date;
- Ensured that the cost centre and nominal ledger income and expenditure coding structure remains appropriate for purpose;
- Checked and agreed detail in the Current Account cashbooks, examining three sample months’ cashbook transactions (April & September 2015 and March 2016) to relevant bank statements;
- Checked and agreed detail in both the Tracker and Base Rate Reward account cashbooks in full for the year to 31st March 2016, due to their relatively low volumes, to relevant bank statements; and
- Checked and agreed detail on the month-end bank reconciliations, which continue to be prepared on a regular basis utilising the Omega software facility on all accounts as at 30th September 2015 and 31st March 2016 to ensure that no long standing, uncleared or other anomalous entries arise.

Conclusions

No issues have been identified in this area of our review process that warrant formal comment or recommendation.

Review of Corporate Governance

Our objective is to ensure that the Council has a robust series of corporate governance documentation 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. We have: -

- Concluded our review of the Council's minutes, examining those for the Full Council and its new Standing Committee meetings (with the exception of Planning) held to end March 2016 with a view to identifying whether or not any issues exist that may have an adverse effect on the Council's future financial stability, both in the short and longer term: we are pleased to report that no such issues appear to exist at present; and
- Noted from this examination of minutes that both Standing Orders (SOs) and Financial Regulations (FRs) have been reviewed, revised and re-adopted by Full Council (in July 2015). As discussed with the Clerk during the course of the previous interim visit, we noted that he is aware of the impending NALC revisions to model documents to reflect the new legislation in relation to tender limits / contract advertising and we have identified at this final visit that further revisions to SOs and FRs were considered in March 2016 and will be issued as part of the members' handbook in May 2016.

Conclusions

There are no formal recommendations in this area currently.

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and approved 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, where no other form of invoice is available;
- That members are provided with, and approve, the regular schedules of payments made;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have concluded testing in this area, reviewing a sample of all payments individually in excess of £1,500, together with a more random sample of every 20th cashbook transaction, irrespective of value, to 31st March 2016. Our sample comprised approximately 50 payments in all, including the monthly charges for E-On and Chargecrest, totalling £95,600 and representing 54% of all non-pay expenditure for the year.

In respect of VAT, we have noted from our recent cashbook testing, noted earlier, that the periodic, manual recovery claim for the nine months ending December 2015 had been duly submitted and repayment banked in March 2016.

Finally in this area, we have updated our year-on-year analysis of expenditure incurred across the range of Council activities with no significant, unidentified variances warranting further enquiry or explanation by officers.

Conclusions

We are pleased to note that there are no formal recommendations in this area currently.

Assessment and Management of Risk

Our aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks in order to minimise the opportunity for their coming to fruition. We have: -

- Noted from our examination of the current year's minutes that updated revisions to Risk Assessment Registers for 2015-16 were re-affirmed by Full Council in May 2015 and have obtained copies of same for the purposes of our subsequent verification of the Annual Return at a later date; and
- Examined the Council's current year's insurance policy schedule (running to May 2016), which continues to be provided by Zurich Municipal, to ensure that appropriate cover is in place. We note that Public and Employer's Liability stand at £15 million and £10 million respectively, together with Fidelity Guarantee cover at £500,000 and Business Interruption at £12,000.

Conclusions

We are pleased to note that there are no formal recommendations in this area currently.

Budgetary Control & Reserves

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and level of precept to be drawn down from the District Council: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure.

We are pleased to note that members are provided with regular (generally monthly) I&E budget monitoring reports and we have previously visually examined that for September 2015 with no significant, un-identified variances to warrant any further enquiry or explanation by officers: this remained the case at the year-end.

We are also pleased to note that due and appropriate consideration has been given to the budgetary and precept requirements for 2016-17 resulting in the adoption of a Precept of £229,000 excluding the Support Grant of £8,783, at the Full Council meeting in January 2016.

Finally in this area, we note that Total Reserves as at 31st March 2016 (as per the draft Omega year-end reports prepared by the contractors) stood at £190,500, comprising specific Earmarked items of £27,000 and the residual General Fund of £163,500: the latter represents approximately eight months expenditure at current levels.

Conclusions

No issues arise in this area of our review process currently.

Review of Income

The Council receives very limited income in addition to the precept, primarily from hall lettings, minimal bank interest (in the current economic climate), occasional grants / donations and periodic VAT recoveries.

Our objective is to ensure that robust procedures are in place to ensure that all income due to the Council is identified and invoiced (where applicable) appropriately with recovery effected within a reasonable time span. Consequently:

- We note from Financial Regulations that members are required to review the scales of fees and charges for all its activities annually and that this work was undertaken and formally documented in the prior year's minutes, with no changes introduced with effect from April 2015;
- We have checked and agreed a sample of the Hall's paying-in registers (September & December 2015 and January 2016) to relevant bank statements and cashbooks. We did not consider it necessary to examine the Hall's booking process at this visit (substantial testing having been undertaken at the 2014-15 final visit and noting that there have been no procedural changes during the current year under review); and
- We have, as noted earlier in this report, checked and agreed all interest arising for the year in full on the Base Rate Reward and Tracker deposit accounts.

Finally in this area, we have updated our year-on-year analysis of income arising across the range of Council activities with no significant, unidentified variances warranting further enquiry or explanation by officers.

Conclusions

No issues arise in this area of our review process currently.

Petty Cash Account

The Council does not operate a petty cash account, any “out-of-pocket” expenses incurred by officers or members are reimbursed through the normal suppliers’ payments procedures.

However, limited use is made of a corporate Barclaycard (just £96 spent in July and £23 in August 2015) and we have consequently examined those transactions to ensure they were supported by supplier invoices / till receipts and that the goods or services purchased were appropriate for the Council’s activities.

Conclusions

No issues arise in this area of our review process currently.

Review of Salaries

In examining the Council’s payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme, as further amended from 1st April 2015 in relation to the employee contribution bandings. To meet that objective, we have: -

- Ensured that the Council reviews and approves pay scales for staff annually, noting the conclusion of the re-evaluation exercise for the Rangers in October 2015 and the Administrative Officer in November 2015 pending the retirement of the accountant;
- Noted that processing of the Council’s monthly payroll has continued to be outsourced to a local bespoke bureau provider (J&M Payroll Services);
- Checked and agreed the staff and members’ PAYE Tax Codes and National Insurance deduction Tables;
- Checked and agreed that the appropriate LGPS salary banding deduction rates are being applied for the current year in accord with the revised scales;
- Checked and agreed detail of the salaries and wages paid to, and deductions made from, the Council’s staff by reference to the September 2015 payroll documentation provided for our review, noting that the bureau provider is now supplying appropriate payslips; and
- Checked and agreed the net amounts due from the payslips to the electronic payment schedule and subsequent cashbook transactions.

Conclusions

No issues arise in this area of our review process currently.

Asset Registers

The Accounts and Audit Regulations 1996 (as amended from time to time) require all Councils to maintain a Register of Assets and we are pleased to note that the Clerk continues to prepare suitable documentation to meet this requirement.

We are also pleased to note that, in accord with the revised Practitioners' Guidance in this area, these schedules have been appropriately revised by the accounting contractor with the current year's additions and disposals only, with no depreciation or "uplift" in value to reflect insurance policy inflationary increases.

Conclusions

We would ordinarily verify the closing balances disclosed at Box 9, Section 2 of the Annual Return but, in the absence of the closing Statement of Accounts at this final visit were unable to do so: the necessary checks will be undertaken "remotely" in due course

Investments and Loans

Our objectives here are to ensure that the Council is investing "surplus funds", be they held temporarily or on a longer term basis, in appropriate banking and investment institutions, that an appropriate investment policy is in place, that the Council is obtaining the best rate of return on any such investments made, that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with the relevant loan agreements.

Conclusions

The Council has no specific investments or term deposits: any "surplus" funds are held in the Tracker and Base Rate Reward accounts at Barclays plc, detail of which we have checked and agreed in full for the year to 31st March 2016 as detailed earlier in this report.

Similarly, the Council has no loans either payable by, or to, it.

Statement of Accounts & Annual Return

The Council continues to engage the services of third party accountancy contractors (DCK Beavers Ltd) for its year-end closedown processes with part of this work including the preparation of the detailed annual financial Statement of Accounts and data for inclusion at Section 2 of the Annual Return.

Conclusions

As noted earlier in this report, the Statement of Accounts and Annual Return detail were unavailable at the date of this final visit: we shall undertake any further testing as considered necessary in our own offices in due course but, with our extensive knowledge of the contractor's work elsewhere, do not anticipate any further matters to arise.