
Lynchmere Parish Council

Internal Audit Report 2015-16

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 require all Town and Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. The Council has complied with the requirements in terms of independence from the Council decision making process appointing Auditing Solutions Ltd to provide the function to the Council.

This report sets out those areas examined during the course of our examination of records provided by the Clerk on the day of our recent visit to the Council for 2015-16, which took place on 11th May 2016.

Internal Audit Approach

In conducting our internal audit review for the year, we have again had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts, which have been maintained / developed in spread sheet format for the financial year.

As the Council's Internal Auditor and under the current audit arrangements, we have a duty to complete the internal audit certificate in the Council's Annual Return, which covers the basic financial systems and requires assurances in ten separate areas.

This report sets out the areas of work examined for the financial year and is, together with our file of work completed, available on request, for review by the Council's external auditors should they require further evidence as to the level of assurance on the adequacy of those Council's systems examined and detailed in this report.

Overall Conclusion

We are pleased to conclude that, in all the areas examined for the year, the Council continues to have effective systems in place to ensure that transactions are free from material misstatement and were reported accurately in the Annual Return for 2015-16.

We are also pleased to note that there are no significant issues warranting formal comment or recommendation this year, any minor observations being discussed with the Clerk during the course of the visit: consequently, no appended Action Plan is considered necessary.

On the basis of the work undertaken this year, we have duly "signed off" the Internal Audit Certificate at Section 4 of the Annual Return, assigning positive assurances in each relevant category, leaving the original document with the Clerk for formal approval by the Council and subsequent submission to the external auditors.

This report has been prepared for the sole use of Lynchmere 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

Review of Accounting Arrangements & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in the spread sheet cashbooks now maintained by the clerk. Consequently, we have:-

- Agreed the opening balance detail with that in the closing 2014-15 Statement of Accounts and certified Annual Return;
- Ensured that appropriate analysis exists within the Excel spread sheets to provide members with more detail on the Council's transactions for the year than is covered by the Annual Return;
- Checked receipts and payments transactions in the cashbooks to relevant bank statements for two sample periods (April to June 2015 and January to March 2016);
- Noted that the Clerk continues to provide members with monthly reports of bank balances at each Full Council meeting together with periodic bank reconciliation statements; and
- Checked and agreed the closing bank reconciliation as at 31st March 2016 with no variances or other anomalous entries arising

Conclusions

No issues have been identified in this area this year.

Review of Corporate Governance

Our objective in this area is to ensure that the Council has robust corporate governance procedures and documentation in place, that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and that no actions of a potentially unlawful nature have been or are being considered for implementation.

- We have examined the minutes of the meetings of the Full Council and its Standing Committees for the current year to identify whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability. We note the two on-going projects in relation to the potential new Pavilion and the future of the St Michaels Hall but, at the date of this visit in May 2016, neither had yet to be formally costed or funded and may or not come to fruition: consequently the financial effect on the Council is not yet clear and we shall review progress in these matters at the next audit visit; and
- We have previously commented upon the need for a full review of extant governance documentation and are pleased to note that both extant Standing Orders and Financial Regulations were re-affirmed by the Council in both April 2015 and again in April 2016, with appropriate amendments made in accord with the revised NALC models in this area.

Conclusions

There are no matters to warrant recommendation in this area.

Review of Payments and VAT

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, where no other form of invoice is available;
- 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 checked all payments for the year (due to the relatively low volumes) to March 2016, to ensure they met the criteria above: all transactions were properly supported and analysed in the cashbooks.

Manual VAT reclaims continue to be prepared and submitted on a periodic basis, usually bi-annually: we have verified that for the period October 2014 to November 2015 to the underlying cashbook detail and the remittance from HMRC (December 2015).

Finally in this area, we have updated our year-on-year analytical review of expenditure incurred across the Council's activities with no significant variances warranting further enquiry by officers.

Conclusions

There are no matters to warrant recommendation in this area.

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 identified in order to minimise the opportunity for their coming to fruition.

- Financial risk assessment documentation has been prepared previously, with annual reviews formally undertaken with minor revisions being considered where necessary. We previously noted the most recent of these was undertaken by the Finance Committee in March 2015, the minutes and content of which wer

subsequently adopted by Full Council in April 2016. Subsequently, we note that a similar exercise was undertaken in March 2016, with formal adoption recorded at meeting of Full Council on 5th April 2016;

- We note that RoSPA play area inspections continue to be undertaken and that the Council's grounds maintenance contractor prepares appropriate monthly reports on any issues he identifies as part of his contractual duties;
- Insurance cover continues to be provided by Zurich Insurance: we have examined the current year's policy schedule (to 31st May 2016) and consider that appropriate cover is in place in each area, with both Employer's and Public Liability in place at £10 million and Fidelity Guarantee set at £100,000; and
- We also note that appropriate insurance cover is in place for the Council's asset stock,

Conclusions

There are no matters to warrant recommendation in this area.

Precept Determination and Budgetary Control

We aim in this area of our work to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount to be precepted on the District Council, that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans. To meet this objective, we have:

- Noted that the precept for 2016-17 was formally approved and adopted at £60,470, excluding the Council Tax Support Grant of £532, at the Full Council meeting in December 2015;
- Noted that members continue to be provided with regular management accounting information at Full Council level; and
- Noted that Total Reserves as at 31st March 2016 stood at £71,326 (equally matched by cash balances) and comprised specific Earmarked and ring-fenced reserves of £41,000 with the residual General Fund balance of £31,000. This equates to approximately four months expenditure at current levels and is considered to be perfectly adequate for the Council's present financial requirements.

Conclusions

There are no matters to warrant recommendation in this area.

Review of Income

In considering the Council's income streams, we aim to ensure that robust systems are in place to ensure the identification of all income due to the Council from its various sources, to ensure that the income is identified and invoiced in a timely manner and that

effective procedures are in place to pursue recovery of any outstanding monies due to the Council. To meet this objective, we have:

- Agreed six months' transactions for all receipts to relevant bank statements as noted earlier in this report;
- Noted that members review Cemetery fees and charges on an annual basis (those for 2015-16 being approved in March 2015) and have checked and agreed burial receipt to supporting funeral director documentation and funds arising therefrom with no issues of note;
- Noted that all allotment rentals were duly received for the year, arising from the issue of appropriate rental reminder notices; and
- Noted that pitch hire fees have been received in accord with the invoices issued.

Finally in this area, we have updated our year-on-year analytical review of income arising across the Council's activities with no significant variances warranting further enquiry by officers.

Conclusions

No matters arise in this area of our review process.

Petty Cash Account

No petty cash scheme is operated by the Council, any "out-of-pocket" expenses being reclaimed by the current Clerk periodically; approval of these payments follows the same process as all other supplier payments.

Salaries and Wages

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. To meet this objective, we have:

- Noted that the Clerk continues to operate a formal PAYE scheme, utilising the free "Tools" software provided by HMRC;
- Noted that members periodically, generally annually, agree the Clerk's salary scales and hours of work (most recently recorded in the minutes for June 2014); and
- Checked a sample month (February 2016) to ensure that the correct PAYE codes and National Insurance tables were being operated, that the gross pay was in accord with the approved rates and that the net pay, and that of the deductions due to HMRC, were paid and properly recorded in the cashbooks.

Conclusions

No matters worthy of note arise in this area of our review process this year.

Asset Register

Our objective in this area is to ensure that the Council is complying with the Accounts and Audit Regulations (as amended periodically) and maintaining a complete and accurate register of the assets owned and is also observing best practice in managing its stock of assets.

An appropriate formal fixed asset register continues to be in place. We have reviewed its content and consider that it fully meets the needs of a Council the size of Lynchmere: also we have verified the summary total disclosed at Box 9, Section 2 of the Annual Return which continues to be computed under the revised (2010-11) regulations .

Conclusions

No matters arise in this area of our review process.

Investments & 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 appropriate loan agreements.

Conclusions

The Council has no specific investments; “surplus” funds continue to be held in a separate deposit account at Lloyds plc.

We note from examination of minutes and other documentation provided that the Council was to make funds available of up to £15,000 for the Hammer Rec Committee but this had not been drawn upon prior to 31st March 2016.

Statement of Accounts and Annual Return

Our objective here is to ensure that the Statement of Accounts now prepared “in-house” by the Clerk and the Annual Return data at Section 2 is consistent with the accounting records maintained by the Council and complies with current legislation on local government accounting as it applies to a Council of this size. As noted earlier in this report, we have agreed the detail disclosed in the year’s Annual Return at Section 2 to the underlying financial and other records.

Conclusions

We have duly “signed off” the Internal Audit Certificate at Section 4 of the Annual Return, assigning positive assurances in all relevant categories with no further comment or recommendation.