

West Swindon Parish Council

Internal Audit Report 2018-19 (Final)

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*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 from its inception and, following a re-tendering exercise, we at Auditing Solutions Ltd were appointed to provide the function to the Council from 2018-19.

This report sets out those areas examined during the course of our recent final visit to the Council, which took place on 24th April 2019 and supplements the interim work undertaken on 29th November 2018.

Internal Audit Approach

In concluding our review for 2018-19 we have continued to pay due regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts and Annual Governance and Accountability Return (AGAR in short) utilising either sample testing or more substantive works where considered appropriate

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 AGAR (which now forms the Council's Statutory Accounts) and covers the ten basic financial systems and requires assurances, or otherwise, accordingly.

This report sets out the areas of work examined for the 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 operate effective control systems to ensure that transactions are effected in accordance with the Council's approved working practice and were reported accurately in the year's AGAR with no matters arising requiring formal comment or recommendation.

Consequently, we have duly signed off the Internal Audit Report at Page 3, leaving the original documentation with the Parish Manager for submission to the Full Council for approval prior to submission to the external auditors.

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 cashbooks or financial ledgers to date. The Council currently operates a current bank account at Barclays Bank, supplemented by deposit account holdings at both Nationwide Building Society and Yorkshire & Clydesdale Bank, and continues to utilise the bespoke Rialtas software for its transaction processing. To meet the above objective we have: -

- Agreed the opening trial balance detail in the software for 2018-19 with that in the verified closing Statement of Accounts for 2017-18;
- Ensured that the ledger remains in balance at the date of our final visit;
- Ensured that an appropriate cost centre and accounting structure remains in place;
- Checked and agreed transactions (both receipts and payments) in the Council's bank account cashbooks to the relevant bank statements in full (due to the low volumes of transactions) for the year to 31st October 2018 plus those transactions for March 2019 at the final visit; and
- Checked detail on the bank reconciliations as at 31st October 2018 and 31st March 2019 for both the Current and two Deposit accounts to ensure that no long-standing uncleared cheques or anomalous entries exist: no such items were identified and we are pleased to note that the Parish Manager is duly reporting detail of the monthly reconciliations to members at each Full Council meeting.

Conclusions

There are no matters arising to warrant formal recommendation in this area currently.

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 can reasonably be expected to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We have: -

- Reviewed minutes of the Full Council and its extant Standing Committee meetings (except Planning) to end March 2019 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, also ensuring that the Council has neither considered nor is considering any actions that may result in ultra vires expenditure: no such issues were identified; and
- We are pleased to note that both Standing Orders (SOs) and Financial Regulations (FRs) were subject to appropriate review and re-adoption in accord with current NALC models at the Full Council meeting in May 2018.

Conclusions

There are no matters arising to warrant formal recommendation 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;
- 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 examined all payments (due to low volume of transactions) for the year to 31st March 2019 to ensure compliance with the above criteria with no matters of note arising, any minor nominal ledger coding adjustments being discussed and agreed with the Manager during the course of the previous interim visit.

We note that periodic, manual VAT recovery claims continue to be submitted and have checked and agreed that for the periods ending July 2018 and March 2019 to the relevant cashbooks, debit card schedules and nominal ledger control account balances.

Conclusions

There are no matters arising to warrant formal recommendation 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 identified in order to minimise the opportunity for their coming to fruition.

- We note that appropriate Health and Safety play area site inspections are currently undertaken by Swindon Borough Council's Street Smart contractor and that the Parish is currently not responsible for maintaining assessment reports and so on. However, we note from minutes that relevant remedial actions are discussed and agreed to quotes where approved; and
- We have examined the insurance policy for the current year (to March 2019), cover continuing to be provided by Aviva and consider that the detail therein remains "fit for purpose" with both Public and Employer's Liability retained at £10 million whilst Fidelity Guarantee cover stands at £1 million and Loss of Revenue is not considered applicable at present.

Conclusions

There are no matters arising to warrant formal recommendation in this area currently.

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 Borough 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 2019-20 was formally approved and adopted at £848,215 at the Full Council meeting in January 2019;
- Noted that members continue to be provided with regular management accounting information, including schedules of all payments and bank reconciliations at each Finance Committee meeting; and
- Noted that Total Reserves as at 31st March 2019 currently stood at £706,700, which equated to approximately 10 months expenditure at current levels: from the closing trial balance for the year it would appear that the Council has yet to establish any specific, committed Earmarked balances and would suggest this be considered for future years. Whilst there is no no formal guidance on the levels of General Funds, it is generally accepted that 3 to 6 months expenditure is more than acceptable and we shall consider this again in future year.

Conclusions

No matters warranting formal comment arise in this area of our review although we have one observation for officer's consideration, which is that is our long held understanding of the publication of the Precept is that the monetary value itself, rather than any more generic comment such as "retained unchanged" or "increased by xyz%", should be recorded in the minutes themselves (hence available to the public on the website, etc rather than being an attachment as per Agenda papers that may not be seen) and would suggest this is considered retrospectively if concurred.

Review of Income

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

- Other than the funds received from the Borough Council by way of the Precept, Council Tax Support Grant and Transitional Relief payments, the Parish receives very limited incomes at present (basically VAT recoveries, Allotment rentals and occasional, one-off Community Infrastructure Levy receipts);
- At the interim stage, we have checked and agreed all receipts for April to October 2018, as noted earlier in this report, from cashbooks to bank statements and can record that Allotment rentals had yet to be invoiced for 2019; and

- At this final stage, we have checked and agreed all receipts for March 2019 from cashbooks to statements, including the annual interest arising on the Nationwide deposit and also noted that the rents for the allotments had duly been collected in full prior to the year-end and that a sound register was being maintained for the plot holders tenancy agreements, etc.

Conclusions

There are no matters arising to warrant formal recommendation in this area currently.

Petty Cash Account and Debit Card Usage

The Council does not operate a petty cash account but we have identified that the Council operates a commercial Barclaycard, which is retained in secure conditions “on-site”, for urgent / internet purchases with an overall credit limit of £5,000. Settlement is currently in full by monthly Bacs transfer approved in the same manner as all other supplier payments although we note that the Manager is reviewing this arrangement with an alternate direct debit automatic settlement each month. We have checked and agreed all payments for the seven months ending October 2018 to supporting invoices, ensuring that each was appropriate for the Council’s activities and that any relevant VAT was separated for periodic recovery.

Conclusions

There are no matters arising to warrant formal recommendation in this area currently.

Review of Staff 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. To meet this objective, by reference to November 2018 detail for the sole employee (although we note the formal appointment of the currently seconded Manager to the post of Parish Manager with effect from January 2019), we have:

- Ensured that the Council has approved staff pay rates for the financial year, where appropriate, and that these have been duly and accurately applied throughout the year;
- Checked the computation of staff member’s net pay and salary deductions, noting that the HMRC’s free software (PAYE Tools) is utilised “in house” for this purpose; and
- Checked to ensure that the appropriate tax code and NIC table has been applied with tax and NI deductions / Council contributions calculated correctly and paid over to HMRC in a timely manner.

Conclusions

There are no matters arising to warrant formal recommendation in this area currently.

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 West Swindon and have verified the summary total disclosed at Box 9, Page 5 of the revised AGAR.

Conclusions

There are no matters arising to warrant formal recommendation in this area currently.

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 appropriate loan agreements.

Conclusions

The Council has no specific investments, any “surplus” funds continuing to be held in a Nationwide Building Society and a Yorkshire & Clydesdale Bank deposit account.

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

Statement of Accounts and AGAR

Our objective here is to ensure that the Statement of Accounts (prepared “in-house” by the Parish Manager) and the AGAR data at Page 5 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 AGAR to the underlying financial and other records and have duly signed off the Internal Audit Report at Page 3, assigning positive assurances in all relevant categories.

Conclusions

There are no matters arising to warrant formal recommendation in this area currently.