

## **Taverham Parish Council**

*Internal Audit Report: 2018-19*

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*For and on behalf of  
Auditing Solutions Ltd*

## **Background and Scope**

The Accounts and Audit Arrangements introduced from 1<sup>st</sup> April 2001 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 from the outset, engaging local contractors to provide the function to the Council. Subsequently, following a re-quotation exercise, we at Auditing Solutions Limited were appointed to provide the service with effect from 2018-19: this report sets out those areas examined during the course of our recent visit to the Council, which was undertaken on 7<sup>th</sup> and 8<sup>th</sup> May 2019.

## **Internal Audit Approach**

In concluding our review of the Council's processes and records for 2018-19 we have examined a selection of the Council's fundamental central financial control functions in order to provide assurance to members and the electorate that the systems continue to operate in accordance with best practice and approved Council procedures: we have also had regard to the materiality of those transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts and Annual Governance and Accountability Return (AGAR in short).

## **Overall Conclusion**

We are pleased to conclude that, in all the areas examined this year, the Council continues to have effective systems in place to ensure that transactions are free from material misstatement. The Responsible Finance Officer (RFO) and her colleagues are to be commended on the quality of work produced and the high standards of documentation provided for the purposes of our audit visits.

We are pleased to report that no issues have been identified from the work completed to warrant formal comment or recommendation and we have duly signed off the Internal Audit Report at Page 3 within the AGAR, assigning positive assurances throughout.

# 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. The Council remains a full Edge software user, with Current and Instant Access Deposit accounts operated at Lloyds Bank with separate cashbooks in the nominal ledger records. There is currently no supplementary Term deposit holdings or other similar investments. Consequently: -

- We have verified that an appropriate nominal ledger structure remains in place;
- We have checked and agreed the opening Trial Balance in the accounting software for 2018-19 to the closing Financial Statements for 2017-18 to ensure that all the detailed balances have been properly rolled forward with no matters arising to warrant formal comment or recommendation;
- We have checked and agreed three sample months' receipts and payments transactions (April & September 2018 and March 2019) from both the Current and Reserve accounts to relevant bank statements, including the periodic "sweep" transfers; and
- Finally in this area we have checked and agreed the software based bank reconciliations as at 31<sup>st</sup> March 2019 (noting that this exercise is properly undertaken on a regular monthly basis with hard copies retained by officers) on the combined cashbook balances to ensure that there are no long-standing, uncleared items or other another anomalous entries arising and have verified the disclosure at Box 8, Page 3 within the AGAR.

### *Conclusions*

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

## Review of Corporate Governance

Our objective in this area 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 Financial Regulations 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 note that the Council's extant corporate documentation such as Standing Orders, Financial Regulations & Members' Code of Conduct are subject to ongoing review and were most recently considered fit for purpose in February 2019; and
- We have examined the minutes of Full Council and its standing Committees' meetings (with the exception of Planning) for the year to end March 2019 to ensure that, as far as we can practically be expected to be aware no issues exist affecting the Council's financial stability in the short, medium or long-term exist.

### *Conclusions*

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

## Review of Expenditure

Our objective here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- An official order has been raised for supply of goods and services on each occasion where one would be anticipated;
- 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 completed testing in this area and have examined a sample of payments in the year to 31<sup>st</sup> March 2019, including all those individually in excess of £1,000 together with a further selection of every 20<sup>th</sup> cashbook transaction (irrespective of value). Our test sample comprised approximately 65 payments, totalled £156,500 and represented 70% of all non-pay expenditure incurred during the year.

With regard to VAT, we note that the RFO continues to make timely, electronic return submissions as required by extant legislation for registered bodies. We have verified the disclosure in the Statement of Accounts of the March 2019 debtor balance to the submission and to the "filing confirmation".

### *Conclusions*

*There are no matters arising in this area to warrant formal recommendation 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 / safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage any risks identified in order to minimise the opportunity for their coming to fruition.

- We have noted that there are copious physical risk assessments in place, led by the independent Play Inspection Company (who provide detailed reports for consideration), supported by members' periodic "walk throughs" and the daily reviews by the Council's Warden employees. At this first appointment visit, we have not yet considered corporate / financial assessments in detail but we note that the Council's officers have sound policies and procedures in place for its activities and

- We note that the Council's insurance cover continues to be provided by Zurich and have obtained a copy of the current year's policy schedule (to June 2019): Public Liability stands at £15 million, Employer's Liability stands at £10 million, Fidelity Guarantee stands at £250,000 and Loss of Revenue cover is in place at £24,000 all of which are considered appropriate for a Council of this size at present.

### ***Conclusions***

***There are no matters arising in this area to warrant formal recommendation 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 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. Consequently:

- We note from examination of current Council and Committee minutes that periodic budget monitoring reports continue to be considered by members and there are no significant, un-explained variances arising from the example (as at 31<sup>st</sup> March 2019) considered during the course of this visit;
- We note that members had been provided with the proposed budgets and Precept for 2019-20 and, subsequently, that their deliberations were concluded at Full Council on 26<sup>th</sup> January 2019 with the Precept being formally adopted, and properly recorded, at £243,738; and
- We note that Total Reserves as at 31<sup>st</sup> March 2019 stood at just over £150,000, which comprised of specific Earmarked items totalling £92,000 and the residual General Fund of £58: the latter represents approximately three months gross expenditure at current levels and is considered to be more than acceptable to meet the needs of the Council at present.

### ***Conclusions***

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

## **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 it is invoiced in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council.

- We are pleased to note that members continue to review the Council's scales of fees and charges annually, those for 2018-19 having been affirmed in the previous municipal year and those for 2019-20 being similarly approved by the Sports Committee in December 2018;

- As noted earlier in this report, we have checked and agreed three sample months' receipts transactions from cashbooks to relevant bank statements;
- We have examined a month's sample of Hinks Meadow Hall bookings (October 2018) to ensure that each diary entry was supported by a booking hire reference, that the appropriate fees and charges were being levied and that these were being paid without undue delay;
- We have tested sports pitch hires by reference to the quarterly invoices being issued to Taverham FC; and
- We have checked and agreed that the Council is properly VAT registered and is applying the tax where applicable.

### *Conclusions*

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

## **Petty Cash and Credit Card Usage**

We are required, as part of the Internal Audit Certification process in the Annual Return to assess and give a view on the effectiveness of control over any petty cash account in use by the Council.

- The Council operates a very limited petty cash scheme in the Administration office, "topped up" as and when required with a maximum holding of £150 (we note that there were less than 40 such payments for the full year to March 2019). We have examined a sample months' transactions (February 2019) to ensure that each payment was properly supported by an appropriate supplier invoice and that any recoverable VAT was separately identified: no issues arise from this testing.
- The Council currently does not operate any form of commercial debit or credit charge card.

### *Conclusions*

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

## **Salaries and Wages**

In examining the Council's payroll function, we aim to confirm that extant legislation was being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HM Revenues 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 revised from 1<sup>st</sup> April 2018 in relation to the employee contribution percentage bandings.

We have examined the payroll procedures in place and the physical payments made to staff in 2018-19 by reference to the February 2019 documentation, the underlying detail for which continues to be produced by third party contractors (Safeguard World), as follows:

- Gross pay rates have been checked to ensure that they are in accord with the approved rates (noting the Council currently applies “in house” levels of salary rather than the more widely NJC pay awards);
- PAYE Tax Codes and National Insurance Tables have been checked to ensure that appropriate allowances are being applied for the year following the annual budgetary increases in personal thresholds with effect from April 2018;
- Local Government Pension Scheme deduction rates have been checked to ensure they are in accord with the revisions to the bases of employee contributions, most latterly with effect from 1<sup>st</sup> April 2018 (albeit relatively minor changes to the salary banding widths);
- Variable hours and expenses have been verified to individuals’ timesheets and claim forms where applicable;
- We have checked and agreed the net pay computations on pay slips to the payroll summaries and resultant bank statement and cashbook transactions; and
- We have verified that third party settlements to HMRC and County Council for the deductions for the month to cashbook settlements.

### ***Conclusions***

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

## **Asset Registers**

The Accounts and Audit Regulations 1996 required all Councils to develop and maintain a register of assets identifying detail of all land, buildings, vehicles, furniture and equipment owned by the Council.

We are pleased to note that the accounting practice requiring asset values to be disclosed in the Annual Governance Return at purchase cost or, where that value is unknown, the best approximation to that value and should not be subject to depreciation or inflationary increases as included in the annual insurance schedule is being complied with and, consequently, we have checked and agreed the values recorded at Box 9, Page 5 of the AGAR to the supporting registers.

### ***Conclusions***

***There are no matters arising in this area to warrant formal recommendation 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 and that interest earned is brought to account correctly and appropriately in the accounting records.

We also aim to ensure that any loan repayments due to or payable by the Council are processed in accordance with the respective and relevant loan agreements.

### ***Conclusions***

***The Council currently has no funds in investments and neither does it have any loans repayable by, or to, itself.***

## **Statement of Account and Annual Return**

The 1996 Accounts and Audit Regulations (as amended from time to time) require all Councils to prepare annually a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council’s financial affairs.

We are pleased to note the comprehensive file of working papers prepared by the RFO for this purpose and have checked and agreed the content of the Council’s Accounts by reference to the underlying year-end Trial Balance detail to such workings, also ensuring the accurate transfer of resultant data to Page 5 of the AGAR.

### ***Conclusions***

***There are no matters arising in this area to warrant formal comment or recommendation, and we have, as noted in the opening preamble to this report, duly signed off the Internal Audit Report at Page 3 within the AGAR.***