

INTERNAL AUDIT REPORT 2014-15

BORDER GROUP PARISH COUNCIL

1 INTRODUCTION

The following audit areas were examined:

Accounting Records; Receipts, Procurement; Insurance; Risk Assessment; Petty Cash; Payroll; General Administration, Policies & Council Minutes, Council's Internal Control arrangements and the Annual Return's Compilation.

These meet the internal control objectives as listed on Section 4 of the Parish Council's Annual Return.

2 OVERALL

The standard of administration and system of internal controls relating to the audit areas examined was considered to be good.

Having completed a comprehensive examination of Council records presented to me I have completed Section 4 of the annual return overall positively and can give reasonable assurance from the audit work undertaken that the Council's financial affairs are properly conducted and free from miss statement.

3 DETAILED FINDINGS & RECOMMENDATIONS

The following outlines the areas covered during the internal audit which support the above statement. Areas which require attention have been highlighted and should be brought to the Council's attention.

3.1 Appropriate books of account have been properly kept.

The primary accounts record examined were found to be accurate; however a typical Receipts & Payments excel ledger was not set up. Lists of payments for each bank account were provided (excel) whilst receipts were itemized on the bank reconciliation.

I would recommend that a Receipts & Payments ledger (excel) is introduced which analyses the receipts and payments so that VAT; grant payments; Neighbourhood Plan expenditure etc. can easily be identified. Transaction dates and cheque numbers are also important as they establish a robust audit trail to supporting source documentation and Council minutes. (Examples can be found in The Practitioners Guide.)

3.2 Expected income was fully received, based on correct prices, properly recorded and promptly banked.

Total receipts for the year were £21,850.58. (Excl. transfers) These comprised of the following:

Precept £7,750 which was agreed to available Hereford Council documentation, a Lengthsman's Grant of £4,225.50, P3 Grant of £2,750.00 and Neighbourhood Plan Grant of £6,300.00.

3.3 The Council's financial regulations imbedded in their standing orders have been met, Payments were supported by invoices/vouchers, and expenditure was approved.

Total payments for the year were £16,701.22 (Excl. transfers) per the excel payments listings. A sample of 40 payments in total were traced to bank statements, invoices/supporting paperwork and Council minutes where possible.

Council authorisation supporting the payment cannot always be easily traced in the minutes and some evidence of councilors initialing cheque stubs and invoices was found however there were a considerable number of omissions.

It is recommended that cheque numbers are included within the minutes to improve the audit trail. Whilst the 2 councillors who act as signatories should initial/sign the invoice/supporting documentation presented to support the payment transaction.

A review of the Council's minutes and dialogue with the Clerk also supports that best value is actively sought by the Council.

3.4 The council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

No evidence was found of a formal risk assessment having been carried out in the year of operational, financial and physical risks. Council has however carried out the following during the year:

- Reviewed its insurance needs during the year.
- Formally approved its 2013/14 accounts.
- Will be carrying out a yearend approval of the accounts by the Council and has carried out on going independent check of monthly bank balances as reported by the Clerk during the year.

Council are required to carry out on an annual basis a formal review of its significant risks. Examples of an Annual Risk Assessment can be found in the Practitioners Guide. They include operational, financial and physical risks.

3.5 The annual precept requirement resulted from an adequate budgetary process; and spend against the budget was found to be adequately monitored by the council; and reserves were appropriate.

1. In Year Budget Monitoring – There was evidence of this having been carried out during the year by the RFO. Clerk presents a report of bank balances at each

council meeting together with a schedule of accounts payable and significant receipts. She is not the RFO. Budget monitoring and forecasting is carried out by the RFO prior to the setting of the 2015/16 precept by Council.

2. Budget Setting 2015-16 - Council set a precept of £7,269 (excl. CTSG) at its January meeting. An expenditure budget of £7,523 was approved for 2015/16. (This excludes the Lengthsman account and P3 account.)
3. The yearend balance of £14,433 appears to be relatively high; however it contains the restricted accounts and earmarked funding for the Neighbourhood Plan. This has been explained by the RFO in the Variance Report.

3.6 Petty Cash – There is none.

3.7 Council Meetings - A review of Council meeting minutes confirmed that the necessary number of councillors were in attendance meeting the required quorum. Council minutes were appropriately signed and minutes were found to be of a good standard.

3.8 Standing Orders and Financial Regulations -The Council's Standing Orders and Financial Regulations have been reviewed and adopted in Nov 2014.

3.9. Bank Reconciliations & Financial Administration

The yearend bank reconciliation compiled by the RFO was found to be accurate however the bank statement for the P3 account was for 31/12/2014 and not 31/3/2015.

An examination of the bank accounts identified that charges are regularly being incurred by the Council. It is recommended that the Council investigate whether these can be reduced with their current bank or consider the use of another bank.

The Clerk presents the RFO's report of bank balances at council meetings together with a schedule of accounts payable. The RFO completes a bank reconciliation approximately 3-4 times a year which is considered adequate.

It is accepted good practice for nominated councillors to perform a periodic check of the bank reconciliation agreeing balances shown to the appropriate bank statements and evidences them as checked.

3.10 Asset Registers are complete and accurate and appropriate insurance exists

The Council as at 31/3/2015 reported fixed assets at cost of £2,495 however no Fixed Asset Register could be found which supports this.

There is a need for an up to date Fixed Asset Register to be compiled and annually reviewed by Council.

The Council's holds insurance which includes employer's liability and public liability insurance cover of up to £10,000,000 and fidelity insurance cover. The Aviva policy expires on 31/5/2015 and has been approved by Council.

3.11 Payroll – Approved salaries have been paid to employees and PAYE & NI requirements properly applied.

The Clerk's remuneration is calculated by the RFO which is an excellent independent control. Yearend payroll summaries were agreed to the ledger entries and it was evident that all pay calculations have been processed professionally via approved HMRC software and Tax has been appropriately deducted per the Clerk's tax coding and regularly remitted to HMRC. Payroll was found to be well controlled.

When examining the Clerk's contract it was noted that a SCP point has not been included; as the model contract is based on this in terms of increments and pay scale it is recommended that it is determined and included in the contract as soon as possible.

No allowances are paid to members.

3.12. VAT Reclaims are appropriate – A VAT grant refund of £824.65 was received in the year. A sample of individual VAT transactions in the current year were agreed to invoices.

3.13 Annual Return (AR) 2014/15.

The AR column for 2015, was found to be arithmetically correct and corresponded with the RFO's Bank Reconciliations; however the amount shown in Box 4 Staff Costs appears high when compared to the Clerk's salary and employment expenses claimed. External Auditor's previous comments have been noted when completing the return.

I would recommend that the following is checked:

The AR column for 2014 when added up did not agree with £9,284 it was £9,285.

The AR column reports Staff Costs as £11,314; the Clerk's annual payroll and expenses are significantly lower than this amount are contractors costs included?

3.14 Trust Funds - The Council is not responsible for a trust fund.

There was satisfactory evidence of the previous year's External Auditor's report having been presented to Council.

In conclusion I urge the Parish Council to carefully consider the ramifications of the Transparency Code and changes with regard to future external audit arrangements. Should you have any queries please do not hesitate to contact me.

Regards,

SD Hackett

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