

INTERNAL AUDIT REPORT 2015-16

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 page 5 of of the Parish Council's Annual Return.

2 OVERALL

Having completed a comprehensive examination of Council records presented to me I have completed page 5 of the Annual Return positively and can give reasonable assurance from the audit work undertaken that the Council's financial affairs are properly conducted, transparent and free from miss statement.

The standard of administration and system of internal controls relating to the audit areas examined was considered to have considerably improved compared with the previous year.

3 DETAILED FINDINGS & RECOMMENDATIONS

The areas covered which support the above statement are detailed below and have been cross referenced to the control objectives on page 5 of the Annual Return where possible.

A Appropriate books of account have been properly kept.

Follow Up of Previous Internal Audit in 2014/15

Receipts & Payments accounts (Excel spreadsheets) were presented for the Council's Current account and Highways account; providing an audit trail to both bank statements and Council minutes.

The main ledger appropriately analyses types of receipts, payments and VAT.

B 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 £11,091 (Excl. transfers) per the excel payments listings. A sample of 35 payments in total were traced to bank statements, invoices/supporting paperwork and Council minutes.

Council authorisation supporting the payment was much more easily traced in the minutes which now record amount details and the cheque number. Evidence of two councilors initialing cheque stubs and invoices was also found.

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

Evidence was found of a HALC model risk assessment having been adopted by Council in June 2015 as per meeting minutes.

It was noted that the Council had carried out the following during the year:

- Reviewed its insurance needs during the year.
- Formally approved its 2014/15 Annual Return; having considered the internal auditor's report RFO's report.
- Will be carrying out a yearend approval of the 2015/16 Annual Return in June 2016.
- Confirmed quarterly bank balances as reported by the RFO during the year.

D 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. Budget monitoring and forecasting was carried out by the RFO prior to the setting of the 2016/17 precept by Council at their October 2015 meeting, no subsequent changes arose; although increased costs relating to Clerking have been highlighted.
2. Budget Setting 2016-17 - Council set a precept of £7,500 at its October meeting. An expenditure budget was approved for 2016/17. (This excludes the Lengthsman account and P3 account.)
3. The yearend balance of £16,491 appears to be relatively high; however it contains the restricted accounts and earmarked funding for the Neighbourhood Plan. This has yet to be explained by the RFO in the Variance Report.

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

Total receipts for the year were £13,148. (Excl. transfers) These comprised of the following:

Precept £7,500 which was agreed to available Hereford Council documentation, a Hereford CC Lengthsman's Grant of £2,228, and Highways Maintenance Grant of £3,420.

F Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for – There was none.

G Salaries to employees and allowances to members were paid in accordance with the Council's approval; and PAYE and NI requirements were properly applied.

The Clerk's remuneration is calculated by the RFO which is an excellent independent control and is now based on a NALC SCP point 21; in line with her contract. Pay calculations have been processed professionally via approved HMRC software; this is based on a sample pay slip calculation provided and P60. It was however noted that the Clerk claims regularly:

.477p per mile on Council business this is in excess of the .45p per mile which requires no declaration to HMRC. The additional element would therefore be classed as a benefit and should be disclosed to HMRC; as taxable income.

A monthly home office working allowance of £60-00 per month is regularly claimed by the Clerk, for utilities and use of her home telephone, this is in excess of the £18.00 per month currently allowed by HMRC. (The latter being regarded as allowable and not required to be taxed as a benefit.) For full details please access HMRC website at: <https://www.gov.uk/expenses-and-benefits-homeworking/>

It is recommended that the Clerk/RFO follows these matters up as the Council as the employer would be responsible for any income tax which might arise as a result.

No allowances are paid to members.

H Asset and Investment Registers are complete and properly maintained

A fixed asset register has now been compiled, and reflects several disposals/write offs of IT equipment. The Council as at 31/3/2016 reported fixed assets at cost of £1,383.

No investments have been made by the Council.

The Council's has insurance cover which includes employer's liability and public liability insurance cover of up to £10,000,000 and fidelity insurance cover. The insurance cover has been approved by Council.

I Periodic and year-end bank account reconciliations were properly carried out.

The RFO carries out periodic and the year-end bank reconciliations. The later was re-performed and found to be accurate however no year-end bank statement was available for the P3 account, (latest available 04/2015). In terms of materiality i.e. a balance of £64 was reported this is not significant, however **the Council needs to address the problem of obtaining current bank statements.**

An examination of the bank accounts identified that charges are regularly being incurred by the Council (Current account £23.40 2015/16.) It is recommended that the Council investigate whether these can be reduced with their current bank or consider the use of another bank.

J Annual Return (AR) 2015/16.

The AR column for 2015, was found to be arithmetically correct and corresponded with the previous year; although in the Auditor's opinion incorrect with regard to Staff costs as **contractors payments which are included are not employees of the Parish Council.**

The 2016 column had yet to be completed however the RFO's has prepared draft figures; these correspond to the Consolidated Bank Reconciliation as at 31/3/2016.

Box 2 Precept Received; could not be agreed as the paperwork available does not record whether any additional grant monies have been received? **I have found it difficult to determine what Hereford CC's precept figure is and what is a Highways grant from the paperwork provided?**

Box 4 Staff Costs appears high when compared to the Clerk's salary and employment expenses claimed.

In determining Box 2 and Box4 figures, other receipts and other payments are easy to establish i.e. Boxes 3 and 6.

The accounts have been prepared on a receipts and payments basis as yet only a draft variance report has been completed.

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

L 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. The Council's Standing Orders and Financial Regulations were last formally adopted in Nov 2014; they require reviewing/re-adopting by Council annually. (Please refer to the NALC publication "Local council's explained" on the matter.)

M VAT Reclaims are appropriate – A VAT refund for (Feb 2015-November 2015) has yet to be received, although a VAT reclaim (working document) was sighted.

The Council's website was examined and found to up to date and working towards meeting Transparency Code requirements.

Should you have any queries please do not hesitate to contact me.

Regards,

S D Hackett

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29 May 2016