

INTERNAL AUDIT DRAFT REPORT 2017 - 18

Cressage, Harley & Sheinton Parish Council

1 INTRODUCTION

The following audit areas were examined:

Accounting Records; Bank Reconciliations; Receipts, Payments; Council Policies; Insurance; Risk Assessment; Payroll; General Administration & Council Minutes, Council's Internal Control arrangements and the Annual Governance & Accountability Returns (AGAR) compilation.

These meet the internal control objectives as listed on page 4 of the AGAR.

2 OVERALL

I have completed the AGAR's Internal Audit Report overall positively however improvements are needed in the following areas where the control objective has not been fully met:

- A. An adequate Receipts Ledger was not maintained during the year.
- B. Council authorisation supporting payments could not be traced to the minutes; as the minutes failed to adequately detail individual payments made; as authorised by Council
- D. The precept was based on a basic current year forecast; with add on amendments. Greater attention is required to providing more detail when setting the budget.
- G. A more robust payroll system should be used to support that payroll is being processed correctly and that the Council is meeting its obligations as an employer.

The Council has recently appointed a new (qualified) Clerk; and improvements are expected.

The audit work undertaken supports that the Council's financial affairs are accurately reflected on page 6 of the AGAR.

3 DETAILED FINDINGS & RECOMMENDATIONS

The following outlines the areas covered during the internal audit which supports the above statement; areas of concern are highlighted.

A Appropriate books of account have been properly kept throughout the year.

The primary accounts record examined (i.e. the excel receipts and payments ledgers) were found in the case of payments to be accurate and analysed providing an adequate audit trail meeting the Council's needs. **However no similar record was maintained for receipts. Given that few receipts in terms of volume were received it is still important to keep a receipts ledger and not simply rely on vouchers and bank statements.**

B The Council complied with its financial regulations, payments were supported by invoices and expenditure was approved and VAT was appropriately accounted for.

Total Payments: £23,932.24. A sample of 15 payments (excluding salary payments) were examined and agreed to the bank statements (where presented), financial accounts and invoices.

Council authorisation supporting payments could not be traced to the minutes; as they failed to adequately detail individual payments made; as authorised by Council. Each payment was however evidenced by two councillors initialing the cheque stubs. This does not however provide sufficient evidence that the invoice has been checked by councillors.

I would recommend that individual payments details are recorded within the minutes that Council resolves to authorise payment on the understanding that councillors agree the cheque details to the invoice/paperwork presented and in doing so initial that paperwork. This would clearly demonstrate the actions of the Council and the internal controls present within the Council.

Cancelled cheques as per cheque stubs were checked and confirmed as not presented or included within the accounts. It would be prudent to mark them as cancelled within the Payments Ledger. The Council adopted revised Financial Regulations in March 2018; which are based on the NALC model.

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

The Council adopted a comprehensive financial, operational and management risk assessment in March 2018.

D The annual precept requirement resulted from an adequate budgetary process; and spend against the budget was regularly monitored by the council; and reserves were appropriate.

In Year Budget Monitoring – Council considered revised revenue estimates for 17/18 at its December 2017 meeting. These were ball park estimates and not itemised in detail.

Precept/Budget 2018/19 – A ball park estimate of expenditure based on 17/18 expenditure estimates was discussed and at the Council's December 2017 meeting; and allowing for contingencies; a working balance and a strategic reserve a precept requirement of £15,970 was advised by the Clerk/RFO. This was resolved as approved by Council.

It is recommended that a more detailed current year forecast; and budget is prepared in future supporting both the budget set and precept decision arrived at.

Reserves - A year end balances of £26,793 exists; which represents approximately a year's payments. Given that the Council is primarily dependent on its precept for funding which makes up 60% of this; reserves appear reasonable. **However a more detailed analysis of expected additional expenditure relating to the appointment of the new clerk and expected GDPR costs would be useful. A detailed accounts of ring fenced and general reserve balances is also recommended.**

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

Total receipts for the year were £24,169. The majority of which were satisfactorily traced to banking records and supporting documentation. Please note the treatment of a cancelled issued cheque for £20.00 within receipts was technically incorrect; as it should have appeared as a negative payment (cancelling the original payment).

F Petty Cash Float - No petty cash float is held by the Clerk.

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

The Clerk's 12 monthly payments (net) as detailed in the accounts; and 12 HMRC payments have been agreed to a summary from HMRC RTI records as presented by the retiring Clerk; (the summary was not generated by RTI), No P45 was available. Screen shots of the HMRC RTI reports were attached to the summary to support it; they were difficult to read. This is not sufficient to support that PAYE & NI requirements were properly applied; however I can confirm that gross pay has been taxed at basic rate and that this has been paid to HMRC. There was evidence of Council minutes supporting these payments. A comparison to the Clerk's contract was not possible as the contract was not made available. Members did not receive allowances.

A more robust payroll system should be used to support that payroll is being processed correctly and that the Council is meeting its obligations as an employer.

H Asset and investments registers were complete and accurate and properly maintained

The Council's fixed asset register/inventory as at 31/3/18 was examined. Its total historic cost/nominal value being £78,899; in line with proper practice **however there is room for improvement with regard to the lay out of the register. I would recommend that the format as shown in JPAG Practitioners Guide is followed.** The Council is currently insured with Aviva; the policy expires on 1 June 2018; I was unable to establish from a brief review of the policy whether the war memorial was insured.

I. Periodic and Year-End Bank Reconciliations were properly carried out

A year end bank reconciliation has been carried out and independently agreed by myself; it is not however in the prescribed lay out as recommended by your external auditors. An in year February 2018 bank reconciliation was also confirmed as accurate. **I would recommend that as per Financial Regulations; bank reconciliations are presented to Council and are periodically independently checked by a member of Council. This is an important internal control and evidence of it having taken place is essential.**

J Annual Governance & Accountability Return (AGAR) 2017/18; Statement of Accounts (page 5) and Variance Analysis.

The AGAR's Certificate of Exemption has been correctly completed by the newly appointed Clerk and is to be presented to Council at its May 2018 meeting for certification.

The AGAR's, Statement of Accounts has been correctly compiled on a receipts and payments basis based on accounting records provided. The Variance Analysis report as presented was also considered accurate.

The complete AGAR pack and Year-end Bank Reconciliation will be presented to Council in May 2018 for approval and adoption by the newly appointed Clerk/RFO.

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 achieving the required quorum. A sample of Council Minutes examined highlighted the following issues:

- The time and place of the council meeting was not always recorded;
- Financial information was overall poorly minuted; e.g. "Expenditure including BSOs and Direct Debits was approved at the meeting" is a very poor record of payments resolved as authorised by Council;
- Previous council minutes were not always resolved as accurate.

The Council's website was briefly examined during the audit and the following noted:

- Council minutes were available however having tried to open several it was apparent that all pages of a meeting had not been uploaded in some cases whilst pages of a previous meeting had been uploaded in error.
- No financial information was present i.e. last year's Annual Return.
- No policies were present.
- Councillors' registers of interest were not present, nor a link to those held by Shropshire Council.

The parish council does not meet the smaller council transparency requirements; even though in year grant funding of £1,295 has been received; this requires attention.

Should the Council have any queries with this report please do not hesitate to contact me. I would like to thank Rebecca Turner for her assistance and patience during the audit.

Best Regards,

S D Hackett

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