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**Much Hadham Parish Council and  
Burial Authority**

*Internal Audit Report 2017-18*

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## **Background**

Statute requires all town and parish councils to arrange for an independent internal audit examination of their accounting records and system of internal control and for the conclusions to be reported each year in the Annual Return.

This report sets out the work undertaken in relation to the 2017-18 financial year which took place on 10<sup>th</sup> April 2018.

## **Internal Audit Approach**

In undertaking the review for the year, we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts and Annual Governance and Accountability Return (AGAR). Our programme of cover is designed to afford appropriate assurance that the Council has appropriate and robust financial systems in place that operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory regulatory framework. The programme is also designed to facilitate our completion of the 'Internal Audit Report' in the Council's AGAR process which requires independent assurance over several internal control objectives.

## **Overall Conclusion**

We have concluded that, based on the satisfactory completion of our programme of work undertaken during our visit, the Council has again maintained more than adequate and effective internal control arrangements. We are pleased to acknowledge the continued quality of records maintained by the Clerk and thank her for her assistance, which has ensured the smooth progress of our review process. We are pleased to report that there are no issues arising this year warranting formal comment or recommendation.

We have completed and signed the 'Internal Audit Report' having concluded that, in all significant respects, the control objectives set out in that Report were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

# Detailed Report

## Maintenance of Accounting Records & Bank reconciliations

Our objective has been to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers.

We are pleased to note that the Clerk has prepared a detailed spreadsheet to maintain the accounting records for the year under review. The Council operates two accounts with Nat West Bank: a third account remains in place at Barclays Bank which is now surplus to requirements and we understand the Clerk will be closing this account during the forthcoming year.

We have: -

- Checked and agreed the opening bank account balance with the 2016-17 closing Statement of Accounts and certified Annual Return detail;
- Ensured that a full and effective nominal account analysis structure is in place and appropriate for purpose;
- Ensured that the accounts remain 'in balance' at the end of the period under review;
- Checked and agreed details of all transactions in the spreadsheet cashbook to bank statement detail for both Nat West bank accounts for the year under review;
- Noted that no bank statement has been received from Barclays Bank since 29<sup>th</sup> June 2012;
- Checked that bank reconciliations are prepared on a regular basis;
- Verified the accuracy of detail in the bank reconciliation as at 31<sup>st</sup> March 2018 ensuring that no long-standing uncleared cheques or other anomalous entries exist;
- Ensured the accurate disclosure of the bank balances in the year's detailed Statement of Accounts and Annual Return; and
- Noted that the spreadsheet is backed up to a portable hard drive and to Google drive on a regular basis.

### *Conclusions*

***We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation. We have verified the accurate disclosure of the combined bank balances in the year's detailed Statement of Accounts and AGAR.***

## Review of Corporate Governance

Our objective is to ensure that the Council has robust corporate governance documentation and processes in place, and that, as far as we may reasonably be expected to ascertain (as we

do not attend Council or Committee meetings) all meetings are conducted in accordance with the adopted Standing Orders and no actions of a potentially unlawful nature have been or are being considered for implementation. We have:-

- Noted that Standing Orders were last reviewed and adopted on 4<sup>th</sup> July 2017;
- Also noted that Financial Regulations were reviewed and adopted in October 2016;
- Further noted that both documents will be reviewed and amended to include the latest wording recommended by NALC in respect of the requirements relating to advertising all tenders with an anticipated value in excess of £25,000 to be formerly advertised on the Government “Contract Finder” website and;
- Examined the minutes of meetings of the Council for the year to date to identify whether or not any issues exist that may have an adverse effect on the Council’s future financial stability; we note that the power under which grants are made is not generally recorded in the minutes and suggest that this be done as a matter of course in future.

We suggest that Council review both Standing Orders and Financial Regulations annually.

### ***Conclusion***

***We are pleased to report that no issues have been identified in this area of our review process warranting formal comment or recommendation.***

## **Review of Expenditure**

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council’s approved procedures and 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;
- Members have met their fiduciary duties approving release of each payment in accordance with extant legislation;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense analysis has been applied to invoices when processed; and
- VAT has been appropriately identified.

We have examined all payments for the five months to 31<sup>st</sup> March 2018 for compliance with the above criteria with no issues arising. We are pleased to note that a schedule of payments is presented to Council at each meeting and that those Councillors signing the cheques also initial the relevant invoices and the cheque book stubs. We note that Council are not informed when the Public Works Loan Board debit the Council’s bank account with the half

yearly payment of capital and interest and suggest that this be included on the schedule of payments as appropriate

We note that, due to a query in respect of certain expenditure, VAT reclaims have still to be prepared and submitted to HMR&C in respect of the two years to 31<sup>st</sup> March 2018. We understand the Clerk will be submitting these reclaims in the near future.

### ***Conclusion***

***We are pleased to report that no issues have been identified in this area of our review process warranting formal comment or recommendation.***

## **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 in order to minimise the opportunity for their coming to fruition. We have: -

- Noted that a comprehensive risk assessment has been undertaken during the year and that this risk assessment was formally approved by Council at its meeting on 6<sup>th</sup> February 2018;
- Examined the Council's current insurance policy with Zurich, with cover being provided to 30th March 2019, to ensure that appropriate cover is in place, noting that Public Liability cover stands at £10m, Employers Liability cover stands at £10m and Fidelity Guarantee cover is in place at £250k all of which appears appropriate for the Council's current needs; and
- Noted that half yearly inspections are conducted at the Council Play Area by an independent contractor and an annual inspection is also carried out by RoSPA; we suggest that more regular inspections are carried out and insurers be requested to indicate their requirements in this regard.

### ***Conclusions***

***We are pleased to record that no issues arise in this area of our review process warranting formal comment or recommendation and remind the clerk and members that the risk registers must be reviewed and re-adopted at least once annually.***

## **Budgetary Control and Reserves**

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and level of precept to be drawn down from the District Council: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise. We have:

- Noted from our review of the minutes that members are provided with regular management accounting information;
- Noted that a detailed budget exercise was undertaken and approved by Council at its meeting of 9<sup>th</sup> January 2018; and
- Further noted that the precept has also been agreed by Council at its meeting of 9<sup>th</sup> January 2018 at £39,000 and that the Council is not in receipt of Council Tax Support Grant from the District.

The Council's total reserves at 31<sup>st</sup> March 2018 are £47,098 of which earmarked reserves constitute £20,384. The balance of general reserves of £26,714 equates to slightly more than five months expenditure and is within the guidelines of between three and six months revenue spending.

### ***Conclusions***

***We are pleased to record that no issues arise in this area of our review process warranting formal comment or recommendation.***

## **Review of Income**

In this area of our review, we aim to ensure that income due to the Council is identified, invoiced (where applicable) and recovered at the appropriate rate and within a reasonable time scale; also that it is banked promptly in accordance with the Council's Financial Regulations.

The major sources of income for the Council and Burial Authority are the precept, bank interest, occasional grants and donations, together with burial and associated fee income. We have checked the income recorded in the cashbooks to bank statements and other available supporting documentation to ensure that, as far as we are able to ascertain, all income due has been received with no significant delays in its banking.

We have examined the burial register agreeing detail of interments for the year to the respective undertaker's applications and burial certificates checking that all monies have been duly received and banked; we have also checked the memorials applications for the year submitted by monumental stonemasons again checking that all monies have been duly received and banked.

We note that the Burial Authority reviewed charges at their meeting held in March 2018 agreeing that there should not be an increase in fees for 2018/19.

Finally, we note that monies received are not banked on a regular basis and, whilst we understand the difficulties in making, regular trips to the bank, we do suggest that monies received are banked more regularly.

### ***Conclusions***

*We are pleased to record that no issues arise in this area of our review process warranting formal comment or recommendation.*

## **Petty Cash Account/Clerk's Expenses**

The Council does not operate a petty cash account. Any out-of-pocket expenses incurred by the clerk in connection with her work for the Council being claimed through expenses.

## **Review of Salaries**

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the requirements of HM Revenue and Customs (HMR&C) with regard to the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme (where applicable).

We note that the Clerk has prepared a schedule showing the total hours to be worked for the year to 31<sup>st</sup> March 2018 based on a pro rata salary of £24,174 (SCP27). This has been averaged out over the total period to calculate a standard amount to be paid by standing order each month; we have verified the calculations on this schedule with no issues arising. We note that returns are not being made to HMR&C although we do note that the Clerk is below the PAYE and NI thresholds.

### *Conclusions*

*We are pleased to report that no issues have been identified in this area of our review process warranting formal comment or recommendation.*

## **Asset Registers**

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned.

We note that there is an asset register which is primarily based on insurance values and that this is the amount which has been used in the AGAR; we have previously commented that, whilst this may be acceptable for internal reporting arrangements, the above Manual requires asset values, as reported annually in the AGAR, to remain static at cost price other than in relation to the value of any new acquisitions or disposals in the year which should also be reflected at cost.

We further note that there is a difference of £21,400 in the Asset Register and that the Clerk will be investigating this.

### *Conclusions*

*We are pleased to report that no issues have been identified in this area of our review process warranting formal comment or recommendation. We have verified that the asset value as shown in the Register as mentioned above has been reflected in the AGAR.*

## **Investments and Loans**

Our objectives here are, where applicable, to ensure that the Council is “investing” surplus funds, be they held temporarily or on a longer term basis in appropriate banking and investment accounts; 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. We have: -

- Noted the Council has no funds in investments;
- Checked repayments due during the year in respect of the Public Works Loan Board;
- Noted that the Council does not have any loans payable by, or to it; and
- Verified the accurate disclosure of the residual year-end loan liability in the year’s AGAR by reference to the advice received from the PWLB.

### **Conclusions**

*We are pleased to report that no issues have been identified in this area of our review process warranting formal comment or recommendation.*

## **Statement of Accounts and Annual Return**

The Accounts and Audit Regulations 1996 (as amended periodically) required councils to prepare a formal Statement of Accounts and supplementary Supporting Notes. With effect from March 2011, the AGAR now forms the only statutory Accounts of the Council that are subject to external audit review and certification.

We have reviewed and verified the accuracy of detail contained in the above documentation by reference to the financial information provided by the Clerk..

### **Conclusions**

*We are pleased to report that no issues have been identified in this area of our review process warranting formal comment or recommendation and, on the basis of our review work, we have completed the Annual Internal Audit Report of the year’s AGAR assigning positive assurances in each relevant area and would ask that we be provided with detail of the completed Sections 1 & 2 once they have been adopted by Council and been signed off by the Chairman and Clerk/RFO.*