
Lambourn Parish Council

Internal Audit Report 2017-18 - (Final update)

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For and on behalf of
Auditing Solutions Ltd

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 23rd October 2017 and the 14th May 2018.

Internal Audit Approach

In undertaking our 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 / Annual Return. 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' as part of the Council's Annual Governance and Accountability Return (AGAR) process, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We have concluded, based on the satisfactory completion of our programme of work for the year, that the Council has continued to maintain adequate and effective internal control arrangements. We report that only two minor issues arose during this year-end review warranting comments or recommendation which are detailed in the main body of the report and the appended Action Plan.

We have completed and signed the 'Internal Audit Report', having concluded that the control objectives set out in that Report have been achieved within the financial year to a standard adequate to meet the needs of the Council.

We take this opportunity to thank the Clerk for her assistance during the review process for this financial year and for the clear and logical manner in which the Statement of Accounts, supporting files and corporate governance documentation was presented which assisted the internal audit and review process.

Detailed report

Accounting Records and Bank Reconciliations

The Council remains an Alpha accounts software user, with separate cashbooks for the Current bank account (operated at Barclays plc) supplemented by a deposit account at the Newbury Building Society and a deposit account with the Community Savings and Loan. We note that both Santander Accounts were closed on the 27th November 2017 and that the residual balances were transferred to the Council's current account.

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. We have, consequently: -

- Verified that an appropriate cost centre and nominal ledger structure remains in place;
- Agreed the opening accounts detail in 2017-18 to the closing Financial Statements / certified Annual Return for 2016-17;
- Reviewed the external audit certificate for the prior year, noting that the Council received an unqualified audit;
- Checked and agreed all cashbook transactions for August and October 2017 and March 2018, on all accounts to corresponding bank statements; and
- Checked and agreed the accounts software generated bank reconciliations as at the 31st August and 31st October 2017 and the 31st March 2018 with no significant, long-standing, uncleared effects or any other abnormal entries arising.

Conclusion

There are no issues which arise in this area of our review warranting formal comment or recommendation.

Review of Corporate Governance

Our objective is to ensure that the Council has a robust series of corporate governance documentation in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders 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. Consequently, we have:

- Noted that both the Standing Orders and Financial Regulations were reviewed using NALC model documents and re-adopted at the meeting of the Full Council in December 2017 with the tender threshold being consistently set at £25,000 in both documents, meeting the requirements of current EU legislation;
- Completed our examination of the minutes of Full Council and its extant Committees for the financial year to the 31st March 2018;
- Noted that members have now moved to formalise HR processes and are in the process of implementing a structured approach to staff appraisals;

- Noted that the Clerk will commence CiLCA training in September 2018. Upon successful attainment of the qualification, the Council will be able to consider adopting the General Power of Competence on the proviso that it meets the criteria for the proportion of elected members required.

Conclusions and recommendations made during the Interim Internal Audit:

- R1. *The Council's Standing Orders and Financial Regulations should be reviewed periodically based on NALC model documents with the tender threshold reduced to £25,000 in line with advised best practice and extant EU Legislation. **Response: Implemented in full.***
- R2. *Consideration should be given to supporting the Clerk in attaining a CiLCA qualification, which would allow the Council greater freedom in determining grants and donations, etc and potentially provide the Council with further benefit in terms of information exchange on any legislative or other changes affecting the running of the Council. **Response: Clerk has enrolled on and is commencing CiLCA training in September 2018.***
- R3. *Members should consider establishing a formal Staffing Committee and developing appropriate HR Policies and Staff Appraisal procedures (suitable guidelines are set out in "Being a good employer, a guide for Parish and Town Councilors"). **Response: Safeguarding Policy has been adopted, Lone Worker Policy under development as at 14th May 2018.***
- R4. *Positive action should be taken to ensure closure of the Santander accounts either by issuing a cheque drawn on the Santander account and paying it into the Barclays Account or more stringent means through the Banking Ombudsman or taking other legal measures. **Response: Accounts closed on the 27th November 2017.***
- R5. *Members should consider closing the Community Savings and Loan Account and using the balance for a community project under S.137 powers to ensure the ethos in investing these monies is maintained. **Response: members decided to maintain the account.***

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;
- 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 concluded testing in this area examining a sample of all those supplier payments entered in the Rialtas Alpha cashbooks: This sample comprised all payments individually in excess of £1,000

together with a more random selection of every 15th transaction, irrespective of value; equating to a sample of 44 payments in the year totaling £77,676 and representing 62% of all non-pay related costs. We report that the examination criteria were met in all cases, with no matters arising.

We note from our examination of minutes that quotations have been sought where considered appropriate and in accordance with the Council's Financial Regulations.

We also note that manual VAT recovery claims continue to be submitted periodically, those for 2016-17 being up-to-date and duly repaid at the time of the final visit. We note that the periodic claims for 2017-18 have been submitted in accord with the supporting software documentation.

Finally, in this area we have updated our year-on-year analysis of expenditure incurred across the range of Council activities with no significant, unidentified variances warranting further explanation by officers.

Conclusion

There are no issues which arise in this area of our review 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 from our examination of minutes and other documentation at the interim visit that sound corporate risk assessments have been completed based on the LCRS software with the revised "scores on the doors" for 2017-18. The revised registers were adopted at the October 2017 meeting of the Full Council;
- Noted that the Council's insurance cover is provided by Zurich Municipal in year two, of a three-year agreement with significant savings achieved. We have examined the current year's schedule and note that Public Liability has been reduced to £10 million, whilst Employer's Liability remains at £10 million, Fidelity Guarantee at £250,000 and Loss of Revenue cover at £10,000 all of which we consider appropriate for the Council's present requirement; and
- Examined, for the first time, the Council's arrangements for the regular inspection of playgrounds and recreation areas, noting that the council does not currently have a Playgrounds Inspection Policy in place, although an inspection regime is in place with the Assistant Clerk, who does not hold a RoSPA Playground Inspection certificate or similar, inspects the areas weekly during the Summer and bi-monthly during the winter months. We also note that an independent annual inspection is undertaken by the Play Inspection Company with members reviewing the output and agreeing appropriate remedial action.

Conclusions and recommendations made during the Interim Internal Audit:

- R6. *All personnel conducting playground inspections must attend a RoSPA Playground Inspector (RPI) certificated course or similar, which is certificated to national standards, also attending update/CPD courses, which are usually held every two years or so. **Response: The***

members, having consulted with the Council's insurers, are satisfied that the current regime of visual checks is adequate. Resultantly, this recommendation will not be implemented.

- R7. *Forms used for inspection of the playgrounds must be reviewed and approved by members and only include information which is pertinent to Playground and Recreation area inspection. Response: Implemented – Forms have been amended to previous format.*
- R8. *Signage on Playgrounds and Recreation Areas should be updated, as soon as it is reasonably possible to do so, with a statement that: "All accidents must be reported to the Clerk/Health & Safety Officer, at (telephone), (e-mail)". It is also a good idea to place a notice on Council Notice Boards encouraging people to report any damage or other issues with Playgrounds and Recreation Areas. Response: In the process of implementation being managed by the Assistant Clerk.*
- R9. *Completed inspection forms and reports must be retained for a period of no less than 21 years in either hard copy or digital storage format, as injury claims may be made until the age of 21. Response: Implemented.*
- R10. *A playground inspection policy should be developed and formally adopted by the Council including detail of the inspection regime, the qualifications of the persons responsible for the inspections, examples of the forms used for inspection purposes, a description of how the risks identified in the regular and annual inspection reports are fed into a Replacement, Repair and maintenance programme and to the Council's Health & Safety Risk Assessments, and the length of time inspection reports are retained by the Council. Response: Implemented.*

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 annual precept; 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.

We noted that following an extensive Budget setting and Precept determination process, that the Precept for 2018-9 was approved at the meeting of the Full Council held on the 6th December 2017, set at £130,850 representing a 2.8% increase on the previous year, leaving a budget shortfall of £15,666 to be taken from reserves.

We note that the Clerk produces quarterly management accounts and budget monitoring reports using the Alpha software and have examined the March 2018 outturn report with no significant variances arising to warrant further enquiry or explanation by officers.

We note that Total Reserves at 31st March 2018 have decreased to £149,773 (prior year level £160,761), comprising Earmarked funds of £62,587 and a General Reserve of £87,186 equating to approximately 6.5 months' spending at the prior year level, which is generally in line with CiPFA guidelines of between three and six months such spending.

However, we note that as reported in the prior year Final Update Report, the Council's EMRs include, once again, a 'street lamp reserve fund' of approximately £58,000. This EMR has been in existence for several years without movement and was originally established in anticipation of the Council taking over management responsibility for the street lights upkeep.

Conclusion

We consider the Council holds an appropriate level of General Reserve. However, we again advise that the Members should review the applicability and level of the Council's earmarked reserves during FY 2018-19 to ensure that all EMRs are necessary, appropriate and proportionate to their specified purpose, and that the General Reserve continues to be set at a level appropriate for the Councils ongoing financial requirements.

Conclusions and recommendations made during the Interim Internal Audit:

*R11. The Council's accounting software, RBS Alpha, contains a powerful budgeting tool which is currently not in use. This facility should be used going forward to allow the Clerk to record the annual budgets to facilitate full use of the software's functionality and help inform the decision-making process of members. **Response: Implemented – now using the Rialtas Alpha budgeting tool.***

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 income 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 have: -

- Noted that the fees and charges pertaining to the Cemetery, Parish Hall and Market Rentals are reviewed annually in accord with FRs and have obtained copies of those in place for 2017-18;
- Verified all cashbook receipts to relevant bank statements for the year to August and October 2017 and those for March 2018;
- Checked and verified all burial register entries for the year to September 2017 to ensure that each was supported by appropriate interment application documents, that the fees charged were in accord with the published scales and had been received and entered into Alpha in a timely manner; and,
- Examined the nominal ledger, income code transaction reports for the financial year to ensure that there were no obvious errors or omissions where income could have been expected, particularly in relation to periodic receipts such as the weekly market and the monthly hall bookings: no such matters were identified.

Finally, in this area we have updated our year-on-year analysis of income arising across the range of Council activities with no significant, unidentified variances warranting further explanation by officers.

Conclusion

There are no issues which arise in this area of our review warranting formal comment or recommendation.

Petty Cash and Debit Cards

The Parish Council does not operate any petty cash accounts. Consequently, there are no issues which arise in this area of our review warranting formal comment or recommendation.

Salaries and Wages

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 HMRC legislation in relation 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) as most recently updated from 1st April 2017 in relation to the employees' contribution bandings.

The payroll is produced "in-house" by the Clerk using HMRC PAYE Tools software. We have examined the procedures in place and physical payments made to staff by reference to the October 2017 payroll documentation. Our review included: -

- Ensuring that the Council has approved employee pay rates for the financial year and that these have been duly and accurately applied;
- Checking to ensure that appropriate PAYE tax codes and National Insurance tables are being applied for the year following the annual budgetary increases in personal allowances with effect from April 2017;
- Noting that two employees (the Clerk and her Assistant) contribute to the LGPS;
- Verifying detail of the net salary payments by reference to pay-slips and subsequent bank account and cashbook entries; and
- Ensuring that the Council is meeting the HMRC requirements in terms of appropriate on-line filing submissions.

Conclusions and recommendations made during the Interim Internal Audit:

*R12. Timesheets should be completed by all employees daily and be submitted to the Clerk for authentication and approval in support of any flexible hours worked and / or claimed as overtime. **Response: Partial Implementation – Time Sheets are now in use, but these are not being signed off by members. (New recommendation made: R13).***

*R13. All leave entitlement requests should be submitted to and approved by the Clerk. **Response – Implemented.***

Conclusion

Timesheets support the variable pay element of employee pay. Therefore, these should be afforded the same level of scrutiny as all other payment documents when presented to members for authorisation and approval at meeting of the Full Council.

*R13. **Members should check and authorise all time sheets by appending their initials to the timesheets when payment documents are presented for their scrutiny at the meetings of the Full Council.***

Asset Registers

The Governance and Accountability Manual require all Councils to maintain a record of all assets owned: we are pleased to note the existence of appropriate registers that are updated annually for any new acquisitions. With no changes in the asset stock during 2017-18, the value to be reported in the year's Annual Return remains unchanged at £359,284.

Conclusion

There are no issues which arise in this area of our review warranting formal comment or recommendation.

Investment and Loans

We note that the Council holds additional funds in the form of deposits the Newbury Building Society and in a Community Savings and Loan account. We further note that the two historic Santander accounts were finally closed on the 27th November 2017: We have agreed the balance on the Building Society account as at 31st March 2018 to their third party annual statement.

We note the clerk's intention to examine other "investment" opportunities in order to spread the Council's funds and reduce the risk of lost funds through a bank's failing ensuring that each deposit is covered by the government's protection scheme.

The Council has no loans repayable by or to it.

Conclusions

No issues arise in this area warranting formal comment or recommendation. However, we take this opportunity to remind members of the new statutory Guidance on Local Government Investments from the 1st April 2018-19 requires all parish councils to develop an investment strategy, providing their total investments exceed or are expected to exceed £100,000 at any time during the financial year.

Statement of Accounts and Annual Return

The Accounts and Audit Regulations, as amended periodically, require all councils to prepare annually a Statement of Accounts, which is now in the form of the Annual Governance and Accountability Return at Section 2, which is, together with the Annual Governance Statement at Section 1, subject to independent external audit examination and certification.

As part of our review process, we have examined the Council's procedures in relation to the identification of detail for inclusion in Section 2 of the Return, which is generated automatically by the Rialtas accounting software, and is used by the Clerk & RFO to provide a detailed set of accounting statements. We have agreed the detail therein to Section 2 of the 2017-18 Annual Governance and Accountability Return.

Conclusions

We are pleased to record that no issues arise in this area and, on the basis of the work undertaken during the course of our review for the year, we have "signed off" the Internal Audit Report in the year's Annual Governance and Accountability Return assigning positive assurances in all areas.

Rec. No.	Recommendations made at the Interim Internal Audit	Response
Review of Corporate Governance		
R1	The Council's Standing Orders and Financial Regulations should be reviewed periodically based on NALC model documents with the tender threshold reduced to £25,000 in line with advised best practice and extant EU Legislation.	<i>Response: Implemented</i>
R2	Consideration should be given to supporting the Clerk in attaining a CiLCA qualification, which would allow the Council greater freedom in determining grants and donations, etc and potentially provide the Council with further benefit in terms of information exchange on any legislative or other changes affecting the running of the Council.	<i>Response: Clerk is commencing CiLCA training commencing in September</i>
R3	Members should consider developing a 'Lone Worker Policy' and a 'Safeguarding Policy' to ensure that the safety of employees and members is maintained.	<i>Response: Safeguarding policy has been adopted, Lone Worker Policy under development as at 14th May 2018</i>
R4	Positive action should be taken to ensure closure of the Santander accounts either by issuing a cheque drawn on the Santander account and paying it into the Barclays Account or more stringent means through the Banking Ombudsman or taking other legal measures.	<i>Response: Account closed</i>
R5	Members should consider closing the Community Savings and Loan Account and using the balance for a community project under S.137 powers to ensure the ethos in investing these monies is maintained.	<i>Response: Not to be implemented</i>
Assessment and Management of Risks		
R6	All personnel conducting playground inspections must attend a RoSPA Playground Inspector (RPI) certificated course or similar, which is certificated to national standards, also attending update/CPD courses, which are usually held every two years or so. Alternatively, members could consider requesting the Council's insurers, Zurich, for a quotation to conduct inspections on its behalf.	<i>Response: The members, having consulted with the Council's insurers, are satisfied that the current regime of visual checks is adequate. Resultantly, this recommendation will not be implemented.</i>
R7	Forms used for inspection of the playgrounds must be reviewed and approved by members and only include information which is pertinent to Playground and Recreation Area inspection.	<i>Response: Implemented - Forms have been amended to previous format.</i>
R8	Signage on Playgrounds and Recreation Areas should be updated, as soon as it is reasonably possible to do so, with a statement that: "All accidents must be reported to the Clerk/Health & Safety Officer, at (telephone), (e-mail)". It is also a good idea to place a notice on Council Notice Boards encouraging people to report any damage or other issues with Playgrounds and Recreation	<i>Response: In the process of implementation being managed by the Assistant Clerk.</i>

Areas.

Rec. No.	Recommendations made at the Interim Internal Audit	Response
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Assessment and Management of Risks (Continued)

R9	Completed inspection forms and reports must be retained for a period of no less than 21 years in either hard copy or digital storage format, as injury claims may be made until the age of 21.	<i>Response: Implemented</i>
R10	A playground inspection policy should be developed and formally adopted by the Council including detail of the inspection regime, the qualifications of the persons responsible for the inspections, examples of the forms used for inspection purposes, a description of how the risks identified in the regular and annual inspection reports are fed into a Replacement, Repair and maintenance programme and to the Council's Health & Safety Risk Assessments, and the length of time inspection reports are retained by the Council.	<i>Response: Implemented</i>

Budgetary Control & Reserves

R11	The Council's accounting software, RBS Alpha, contains a powerful budgeting tool which is currently not in use. This facility should be used going forward to allow the Clerk to record the annual budgets to facilitate full use of the software's functionality and help inform the decision-making process of members.	<i>Response: Implemented - now using the Rialtas Alpha budgeting tool</i>
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Review of Staff Salaries

R12	Timesheets should be completed by all employees daily and be submitted to the Clerk for authentication and approval in support of any flexible hours worked and / or claimed as overtime.	<i>Response: Partial implementation - Time sheets implemented but there is no control or oversight. Members should be signing off (new recommendation)</i>
R13	All leave entitlement requests to be submitted to and approved by the Clerk.	<i>Response: Implemented</i>

Rec. No.	Recommendations made at the Final Update Audit	Response
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Review of Staff Salaries

R14	Members should check and authorise all time sheets by appending their initials to the timesheets when payment documents are presented for their scrutiny at the meetings of the Full Council.	
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