

TOLLESHUNT D'ARCY PARISH COUNCIL

INTERNAL AUDIT REPORT 2018 / 2019

**M Howard (F.C.P.F.A.)
Internal Auditor
June 2019**

CONFIDENTIAL

Introduction

I have now examined the records for 2018/2019 using, as the basis of my review, the internal control objectives required by the external auditor as part of the Annual Return. I would like to take this opportunity to express my appreciation to Mrs. Michelle Curtis for her assistance and for the straight forward and helpful way with which she presented the Council's procedures and records.

Findings

A summary of the Annual Return control objectives, together with my findings and recommendations are listed below:

A. Control Objective

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

Finding

During the year a new computerized accounting system, called "Alpha" was implemented and together with payroll software has been used to record the Council's financial transactions for 2018/19. During my audit I was able to extensively check that the transactions were consistent with those recorded by the bank, in the year end accounts and the Annual Return.

At the year end these systems provided the information required in the annual accounts prepared by the Clerk and the latest Annual Return.

These arrangements are more robust and operated at other Councils and rely less upon the specialist skills and experience of the Clerk.

B. Control Objective

The council's financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT appropriately accounted for.

Finding

The Council's Standing Orders and the Financial Regulations were reviewed in the 3rd January 2019.

During 2015 new Accounts and Audit Regulations were introduced which include details of the new audit framework set out in the Local Audit and Accountability Act 2014.

Under the new audit framework parish councils with an annual turnover not exceeding £25,000 will be exempt from routine external audit. In place of the audit these smaller

authorities will be subject to transparency requirements laid out in the “Transparency Code”. This will enable electors to access relevant information about the authorities accounts.

As part of its annual governance review to prepare its annual governance statement (see Section 1 of the Guide), an authority needs to scrutinise the actions it has taken during the year, and the decisions that it has made, and satisfy itself that it has acted properly within its powers and in accordance with any relevant Regulations.”

During 2018/19 payments were supported by invoices, expenditure was approved, authority for payments were all recorded and VAT appropriately accounted for. At the 31st March 2019 all VAT paid had been reclaimed or accounted for.

C. Control Objective

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

Finding

The risk assessment based on the approach used at Tollesbury was reviewed and approved by the Council on the 26th March 2018.

In March 2019, a new “Practitioners Guide” regarding Governance and Accountability for Local Councils was published with changes to the external audit requirements, including those relating to Risk Assessment.

The Risk Assessment and Management document approved by the Council in March 2019 follows the approach recommended in the Practitioners Guide..

Since my last visit the Council has taken advantage of the Data Protection Officer scheme provided by Maldon District Council.

D. Control Objective

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

Finding

The annual precept requirement did result from an adequate budgetary process. Progress against the budget was regularly monitored during 2018/19.

E. Control Objective

Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT appropriately accounted for.

Finding

The receipts received during 2018/19 other than the precept were:

- £1,162 Burial Ground fees.
- £125.00 received from a donation.
- £40.00 Car Park.

In addition, £978.87 VAT was received in the period ended 31st March 2019. A further £85.24 was outstanding as at the 31st March 2019 for the period 1st January 2019 to 31st March 2019. The new accounting system deducts VAT from "All other payments" and this is not accounted for on the "Accounting Statement" as "Total other receipts".

F. Control Objective

Petty Cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.

Finding

There is no petty cash.

G. Control Objective

Salaries to employees and allowances to members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.

Finding

I have been provided with a contract of employment for the current Clerk. During 2018/19 she has been paid at an hourly rate consistent with the contract of employment and her upgrade agreed by the Council in November 2018.

In addition the Clerk was paid for burial ground duties. No reference is made in the contract of employment to this remuneration.

I was able to verify that all PAYE and NI requirements were met during 2018/19 and that the PAYE year end returns have been submitted to HMRC by the Clerk.

The law on workplace pensions has changed which applies to the Council. The Pensions Regulator acknowledged on the 2nd May 2018 that it had received Tolleshunt D'Arcy's declaration of compliance.

H. Control Objective

Asset and Investment registers were complete and accurate and properly maintained.

Finding

I have examined the Register of Assets provided for audit examination which includes insurance valuations which can be reconciled with the insurance policy.

The Value of Assets on the Annual Return at the 31st March 2019 is £201,682 which is consistent with the 2019 asset register.

The latest "Practitioners Guide" regarding Governance and Accountability for Local Councils, published in March 2019, included some changes to the external audit requirements relating to Asset Registers.

The previous requirement can continue to be used this stated that:

"Most assets will be first recorded in the asset register at their actual purchase cost. In some cases the purchase cost may not be known and a proxy cost should be substituted. A proxy cost is a value for the asset which is estimated by the council based on external advice. Councils may apply the insurance value of the asset at the time of first recording as a proxy. Whether actual or proxy cost is used, for accounting purposes the first recorded value of the asset will not change throughout its life."

I understand that the records which were available at the time of the current Clerk's appointment could not meet these requirements. Values for assets were agreed when the insurance was renewed in October 2017 and will be used in the future so as to meet the external audit requirements.

I. Control Objective

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

Finding

Bank reconciliations were carried out throughout the year and the reconciliation as at the 31st March 2019 was formally recorded and verified during the audit.

J. Control Objective

Accounting statements prepared during the year were prepared on the correct accounting basis, agree with the cash book, and were supported by an adequate audit trail from underlying records.

Finding

The Accounting statements prepared during the year were prepared on a receipts and payments basis, they agree with the cash book, and are supported by an adequate audit trail from underlying records.

As in 2018/19 the Council's annual gross income and expenditure were both less than £25,000 they are therefore able to confirm that they are exempt from a limited assurance review and not pay external audit fees which were £240 last year including VAT.

By signing the Certificate of Exemption the Council must confirm that:

It met the required criteria

The Annual Internal Audit Report, Annual Governance Statement, Annual Accounting Statements, an analysis of variances and the bank reconciliation plus the information required by Regulation 15 (2), Accounts and Audit Regulations 2015 including the period for the exercise of public rights still need to be fully completed and, along with a copy of the certificate published on a public website before 1st July 2019.

Opinion

The Council should consider whether to confirm that they are exempt from a limited assurance review.

K. Control Objective

Trust funds (including charitable). The council has met its responsibilities as a trustee.

Finding

In 2019 the council stated that it was a sole trustee and discharged its accountability responsibilities for the fund's assets including financial reporting and, if required independent examination or audit.

Recommendations

With reference to the above findings I recommend that the Council speedily progress the following-

- The Council should consider whether to confirm that they are exempt from a limited assurance review by the 1st July 2019 and ensure that this is recorded formally in the Councils Minutes.
- A review of the Clerk's contract of employment to formalize her Burial Ground clerk role.
- Clarify whether it still is a Sole Trustee and has met its responsibilities as a Trustee.

Opinion

After extensive checking of the Council's records and accounts, I have found the systems to be sound. During the year 2018/19 most of the procedures and processes required by the external auditor have been improved by the new Clerk and operated effectively.

M. G. Howard F.C.P.F.A

18th June 2019