

# Action Plan

## Background

Town and parish councils are required by statute to make arrangements 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 Governance and Accountability Return (AGAR). Auditing Solutions Ltd has provided this service to Briston Parish Council since 2013-14.

This report sets out the work undertaken in relation to the 2017-18 financial year, during our visit on 11<sup>th</sup> May 2018.

## Internal Audit Approach

In undertaking our review for the year, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in Section 2 of the AGAR. We have employed a combination of selective sampling techniques (where appropriate) and 100% detailed checks in a number of key areas in order to gain sufficient assurance that the Council's financial and regulatory systems and controls are appropriate and fit for the purposes intended.

Our programme of cover has been designed to afford appropriate assurance that the Council's financial systems are robust and 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 the 'Annual Internal Audit Report' on Page 3 of the AGAR, which requires independent assurance over a number of internal control objectives

## Overall Conclusion

On the basis of the programme of work we have undertaken, we have concluded that the Council maintained an adequate and effective system of internal control throughout the year. We also acknowledge the positive actions taken to address a number of the issues raised in 2016-17. However, we have identified a number of areas where we consider that further improvements in the overall internal control environment are required.

Details of matters identified during the course of this year's audit visit, together with outstanding matters from the previous year are set out in the body of the report, with the recommendations arising further summarised in the appended Action Plan. We ask that Members consider the content of this report and respond in due course to the recommendations set out in the Action Plan, indicating, where appropriate, the actions to be taken and the likely timescale for their implementation.

We have completed and signed the 'Annual Internal Audit Report' in the 2017-18 AGAR. In doing so, we have concluded that, in all significant respects, the control objectives as 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

## Accounting and banking arrangements

Our objective in this area is to confirm that the accounting records are being maintained accurately and on a timely basis, that no anomalous entries appear in cashbooks or financial ledgers and that appropriate banking arrangements are in place .

The accounting records have again been maintained using the RBS Alpha software, which we consider is appropriate for a Council of Briston's size.

At the year-end four bank accounts were held with Barclays Bank plc, for which separate "cashbooks" are maintained on the Alpha software. In addition to the main Council's main community (current) account and Business Premium (instant access saver) account, a separate instant access saver account was set up some years ago to hold the proceeds of the sale of former "Surveyor's land", the capital element of which is required to be used for capital purposes. More recently a further savings account was set up to hold funds earmarked for playground improvements. Both of these are also instant access savings accounts.

During the course of the year, a Public Sector Deposit Fund account was opened with CCLA, with the intention that the Business Premium account and Surveyor's Fund balances would be transferred to it in due course.

In order to ensure the appropriateness and accuracy of the recording of transactions, we have:

- Confirmed that there was an accurate roll forward of prior year closing balances to 2017-18;
- Verified that the accounts remained "in balance" at the financial year-end;
- Ensured that an appropriate cost centre and chart of accounts is in place to facilitate reporting of the Council's budget position at any stage of the year;
- Checked and agreed detail of the full year's financial transactions on all of the bank accounts, by reference to supporting bank statements;
- Verified the bank reconciliation detail on each bank account as at 31<sup>st</sup> March 2018, also ensuring the accurate disclosure of the combined balances in the year-end Accounts, and
- Confirmed that back-ups of the financial system are now being done using USBs and there are no concerns regarding the integrity of the backups taken.

### **Conclusions and recommendations**

*In general, the controls in this area were found to be adequate and to be operating effectively. However, there are three significant matters arising from our review, which need to be addressed:*

#### **a) Accounting for the new CCLA Public Sector Deposit Fund.**

*In reviewing the Alpha accounts and overall bank position as at 31st March 2018, we identified a significant imbalance due to the fact that no cashbook had been set up for the CCLA Public Sector Deposit Fund opened during the year. The Clerk corrected this on the day of the audit visit, with the assistance of RBS.*

*We also noted that the payments within the draft accounts produced on Alpha were significantly overstated, as they included the £25,000 transfer of funds to the CCLA account in September*

R3 *In line with the Council's decision of 5<sup>th</sup> June 2017, the Barclays Surveyor's Fund account and Business Reserve account should be closed, with the balances transferred to other accounts as the Council deems appropriate. Consideration should also be given as to whether a separate Playground deposit account still needs to be held.*

## **Corporate Governance**

Our objective is to ensure that the Council has a robust regulatory framework in place; that Council 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.

From our audit work, we noted the following:

- Our review of the minutes of the Council and its standing committees for 2017-18 has not identified any issues that we consider may have an adverse effect on the Council's financial stability, or that give us concern that the Council may either be considering, or have taken, decisions that might result in ultra vires expenditure being incurred;
- The Council has reviewed and approved revised Standing Orders in March 2018, which take into account the latest NALC guidance. At the same meeting, the Financial Regulations were reapproved without amendment;
- The Council has received updates from the Clerk on the potential requirements of the General Data Protection Regulation (GDPR) which is due to be enforced from the end of May, with some of the Members attending training courses on subject, and
- The Council does not fulfil the criteria for adoption of the "General Power of Competence" and consequently continues to rely on general powers plus the "free resource" (Section 137); and

We wish to thank the Chairman for responding to our request to complete our "Corporate Governance Questionnaire", which provides us with additional assurance as to the soundness of the Council's overall governance arrangements.

### ***Conclusions and recommendations***

***In general, the Council's corporate governance arrangements were found to be adequate and operating effectively. However, there are two areas where we have identified the scope for further action.***

#### ***a) Review of Financial Regulations***

***In last year's report, we identified a need to tidy up the Financial Regulations to ensure they take on board the latest model guidance from NALC, e.g. to include reference to the requirements of the Public Services Contract Regulations 2015. However, as noted above, the Financial Regulations were reapproved without amendment in March 2018.***

R4 *When the Financial Regulations are next approved, it will be important to ensure that they take on board all relevant aspects of the latest national guidance produced by NALC. We understand that the national guidance is to be updated shortly to include reference to requirements of the GDPR, when these are confirmed, and we suggest that the next review is undertaken once this guidance is available.*

#### ***b) Development of financial procedures***

## Assessment and Management of Risk

Our objective is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and operational/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:

- The Council reviewed and updated its financial risk assessment document in March 2018;
- Other risk assessments are undertaken, in particular ROSPA reviews of play equipment, although, as reported last year we have seen no evidence that these are formally reported to the Council;
- The Clerk undertakes a weekly inspection of play equipment, the records of which are retained for insurance purpose, and
- The Council's insurance is provided by Aviva, through Came & Co, for the period to July 2018. The Employer's and Public Liability cover remains at £10 million, together with Fidelity Guarantee cover at £150,000, all of which we consider appropriate for the Council's present requirements: we also note that assets are insured by generic head with a combined value.

Last year, we recommended that the Council considered developing an overall risk register, which includes details of both its financial and operational risks and the steps it is taking to mitigate them. We suggested that the risk assessment document approved in 2013 would provide a good starting point. We note that this was done when the risk management arrangements were reviewed in March 2018.

### *Conclusion and recommendation*

*There are no matters arising from our audit work in this area that require a formal comment or recommendation.*

## Budgetary Setting, Budgetary Control & Reserves

Our objective in this area of our work is to confirm that the Council has an appropriate process in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount to be precepted on the District Council, 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.

The Council's budget and its precept requirements for 2018-19 were discussed and agreed at its meeting on 6<sup>th</sup> November 2017. The precept was set at £42,475 (£41,980 in 2017-18) with an additional council tax support grant of £2,030 (£2,183 last year). Up to date information from the accounting system was provided to Members to inform their deliberations.

We are pleased to note that the monthly finance reports to Council continue to include details of opening balances, receipts and payments in the period and closing balances, and that routine month-end bank reconciliations are undertaken on the accounting system and printed and retained on file. The Clerk has informed us that, in line with the requirements of the Financial Regulations and our recommendation from last year, quarterly reports on performance against the annual budget are being prepared for Members, although we noted these are not always minuted.

At the end of 2017-18, the Council's total reserves stood at £57,6k, compared to £43.2k as at 31<sup>st</sup> March 2017. Of this amount, the balance of just over £4.5k held in the playground account has been earmarked for playground improvement and, as noted earlier in the report, a further £22k

### **Conclusion**

*There are no matters arising from our audit work in this area that require a formal comment or recommendation.*

### **Asset Registers**

A simple asset register has been maintained recording assets at a combination of purchase cost and insured/replacement value and grouped as shown on the insurance schedule. The reporting arrangements for assets in the AGAR require councils to report the value of each asset at purchase cost or, where that value is unknown, at a suitable proxy. The value of individual assets should not change from one year to another, with the only changes being the inclusion of new assets purchased or removal of assets disposed of.

We have confirmed that the additional assets purchased during the year have been added to the asset register. The total value of assets owned by the Council and to be reported in Section 2, line 9 of the AGAR has increased to £51,170 (from £49,221).

### **Conclusion**

*There are no matters arising from our audit work in this area that require a formal comment or recommendation.*

### **Investments and Loans**

The Council holds no long-term investments.

In 2016-17, the Council received an ‘anonymous’ loan of just under £15,000 at 0% interest towards the costs of installing solar panels on the Pavilion roof. This is to be repaid in equal instalments over a period of 10 years. We have confirmed that the first instalment of the repayment was made in 2017-18. In accordance with the external audit requirements, the balance of the loan outstanding as at 31<sup>st</sup> March 2018 is shown in Section 2, line 10 of the AGAR, with the repayment in the year shown in line 5.

It is our understanding that the Council still has a loan outstanding to the Higginbottom Trust of £6,000, made in 2011. Last year, we noted that a second loan had been agreed in 2015, but we have confirmed from our review of the minutes, that this loan offer was formally withdrawn at the Council meeting in October 2017, as it had not been taken out.

### **Conclusion and recommendation**

*In general, the controls in this area appear to be adequate and to be operating effectively. However, it is our understanding that the recommended action in relation to the outstanding loan to the Higginbottom Trust dating from 2011 has still not been addressed.*

*In our previous two internal audit reports, we have raised our concerns about the lack of a formal signed agreement regarding a payment of £6,000 made to the Higginbottom Trust in 2011 and to the apparent confusion among Members as to whether the payment had been made as a loan requiring repayment, a donation, or part loan/part donation.*

*In the course of the 2015-16 audit, we were provided with a copy of Minute 4210 of the Council meeting on 7th February 2011, which clearly states that the Council agreed to a payment of £6,000 to be given in the form of an open ended loan “to be repaid in full or in instalments as soon as practically possible”. We have also confirmed that the Council’s financial records show that this payment was made in two instalments - £1,800 and £4,200 – the latter being in May 2011.*

Rec. No.	Recommendation	Response
<b>Accounting and Banking Arrangements</b>		
R1	<p>We would suggest that the Clerk approaches RBS urgently for assistance, to ensure that the accounts for 2017-18 are fully reconciled before the final version of the AGAR is approved by the Council and submitted for audit. The Clerk should also request further training on the use of the Alpha system and treatment of accounting matters, such as inter account transfers, to ensure that the errors identified above are not repeated in future years.</p>	
R2	<p>In her discussions with RBS, the Clerk should confirm how the earmarked reserve balances should be recorded on Alpha, which appears to be one reason for the imbalance referred to in point (a) above.</p>	
R3	<p>In line with the Council's decision of 5th June 2017, the Barclays Surveyors Fund account and Business Reserve account should be closed, with the balances transferred to other accounts as the Council deems appropriate. Consideration should also be given as to whether a separate Playground deposit account still needs to be held</p>	
<b>Corporate Governance</b>		
R4	<p>When the Financial Regulations are next approved, it will be important to ensure that they take on board all relevant aspects of the latest national guidance produced by NALC. We understand that the national guidance is to be updated shortly to include reference to requirements of the GDPR, when these are confirmed, and we suggest that the next review is undertaken once this guidance is available</p>	
R5	<p>As recommended last year, detailed procedures documentation should be developed to underpin the Council's Financial Regulations. In particular, to avoid the repetition of errors in the accounts, and minimise the need for reliance on RBS, we would stress the importance of ensuring that this documentation includes detail of how to account correctly for such items as transfers between accounts, which have been a recurring issue (NB some of this information may already be available in guidance notes provided by RBS).</p>	

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# **Briston Parish Council**

*Internal Audit Report 2017-18*

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*Stephen Christopher*

*for Auditing Solutions Ltd*

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