

Internal Audit: Bardney Group Parish Council - final report 2018/19

Scope: this audit relates to financial year 2018/19 and is based upon the existing engagement letter from the Council set out the brief. Site visits took place on Monday 18th March and Friday 26th April 2019 at which evidence was sought and furnished to enable a final audit opinion to be reached.

The major areas covered included:

- a) The adequacy of systems for recording receipts and payments
- b) Existence of appropriate levels of internal check / separation of duties
- c) Evidence of a review of Standing Orders and Financial Regulations by the Council
- d) A small "through the system" check of significant transactions selected by the auditor
- e) Reconciliation of ledger totals with the annual return
- f) S137 limit calculated and observed
- g) Evidence of assessment and treatment (as appropriate) of significant financial risks
- h) Budgetary Control procedures and reporting, for both expenditure and income
- i) PAYE correctly calculated and paid over (see findings below)
- j) Fixed Asset records, focussing on completeness / accuracy and value.
- k) Banking procedures and reconciliation

Findings: In general the Council's control systems are fit for purpose. Compliance with internal control is comparable to the levels seen over the last two years

The understanding demonstrated by the RFO gave a high level of assurance about the appropriateness of and adherence to internal control mechanisms that are in place.

In last year's final report I mentioned that the process for controlling the use of the FX card should be reviewed by the Council. I understand that a fuel card is now in use, working on a basis analogous to a credit card, with the other purchases previously made using FX now taking a conventional payment route.

In terms of the annual return figures, I looked at year-on-year differences and sought explanations for variations in spend and income levels. The RFO supplied the information needed to satisfactorily explain these differences, even where they are below the threshold set by the NAO's appointed external auditors.

My discussions with the Clerk/RFO included the identification of an imbalance between the PAYE totals calculated by the Council's accounting software and those expected by HMRC. This may be plausibly explained by the SAGE system being set for different payment periods from those actually in use (for example weekly tables used for employees now paid monthly). The difference between the totals is fairly small and given that the Council accounts on a receipts and payments rather than an accruals basis, this has not caused a material variation from budget, nor has it affected the conclusions drawn on the annual return. Similarly, an amount of Statutory Maternity Pay (SMP)

relating to a prior year has not yet been refunded – the quantum of this is greater than the PAYE but the item was not budgeted for on the grounds of prudence (in line with recognized accounting principles) and, therefore, it also has no bearing on the audit conclusion for 2018/19. It is advocated that the Parish Council liaises with HMRC during the current year in order to finalise the position on these matters and receive the sums due.

Conclusions:

1. The current systems and practices give adequate assurance that the Council is managing its finances effectively, i.e. it has generally sound internal control systems and these are being followed.
2. During 2019/20 I recommend that the Council identifies and agrees the net positions on 2018/19 PAYE and prior year SMP with HMRC.

Andrew Claydon,
Internal Auditor

May 25th 2019