



Mollington Parish Council

Independent Examination Report 2018-2019

Background and Scope

The Local Audit and Accountability Act 2014 and Accounts and Audit Regulation 2015 require all Parish Councils to implement an independent internal audit examination of their accounts and accounting processes annually.

Our work has focused on the Council's financial and management arrangements during 2018-2019 including sample transaction testing of transactions throughout the year in order to gain sufficient assurance to sign off the Internal Audit Certificate in the Annual Return.

Internal Audit Approach

In undertaking our review, we have had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year end Statement of Accounts. We have employed sample transaction testing to gain an appropriate level of assurance. The Clerk and Council will need to be mindful that variances in excess of 15% in Section 1 of the Annual Return will require explanation in a covering note to be provided to the external auditor.

We have also revisited those issues and recommendations detailed in previous reports (whether made by ourselves or another) to establish the extent of remedial action taken in each area. Where little or no action has occurred, further reference is made to any outstanding issues in this year's report.

Where issues and recommendation have been highlighted, the Council should take appropriate steps to remedy any weaknesses or concerns identified.

This report is available for presentation to the Council's external auditors, who may also have access to our working paper file on request.

Overall Conclusion

We have concluded that, overall, the Council has effective systems in place to ensure that transactions are accurately reflected in the Statement of Accounts.

On the basis of the work undertaken on the Council's systems of financial control and content of the detailed Statement of Accounts and that summarised detail set out in Section 1 of the Annual Return, we have signed off the internal audit certificate at Section 4 of the Return assigning positive reassurances in each area.

Dotty about Accounts
June 2019

Mollington Parish Council

Detailed Report 2018-2019

Maintenance and Accounting Records

The clerk has maintained the Council's accounting records using separate Excel spreadsheets for receipts and payments, each containing appropriate analysis columns to provide detailed information for inclusion in the Council's annual Statement of Accounts and the statutory Annual Return. We consider these to be more than adequate for the Council's needs given the level of annual transactions.

We have carried out random sample transaction testing of transactions recorded during the financial year by reference to supporting bank statements and original documentation.

We note that a formal bank reconciliation has been prepared at the financial year. The bank balance brought forward was different by £20 due to an unrepresented cheque from 2 years ago. This balance has now been amended and the cheque written back.

Conclusion:

No further action required though the clerk may consider carrying out more frequent bank reconciliations.

Review of Corporate Governance

The Council has adopted Standing Orders based on an outline of the NALC model document, together with supplementary Financial Regulations.

We have reviewed the Council's minutes during the financial year to determine whether any issues exist that may have a financial impact on the Council and its future financial stability.

A formal risk assessment is in place.

Conclusion:

No further action required.

Review of Payments

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures
- Funds are expensed in accordance with approved budgets
- Appropriate procedures are in place to ensure compliance with the Council's Standing Orders and Financial Regulations with regard to tendering and quotation action
- 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
- The correct analysis has been applied in the cashbook to invoices when processed
- VAT has been appropriately identified and coded to the control account for periodic recovery

Sample transaction testing has been carried out both from the invoice, through the cashbook to the bank statements and also in reverse in order to establish an appropriate level of assurance.

Conclusion:

Transaction testing proved positive with all samples being able to be traced right through the audit trail. It was also noted that VAT appears to be accounted for properly on all relevant expenses and claimed back correctly.

Assessment and Management of Risk

The Council has a formal risk assessment in place which covers financial and management risks.

Controls are in place with regard to payments in that the Clerk has possession of the chequebooks but is not a signatory on the cheques. All cheques have to be signed by two signatories. Any BACS payments are scheduled and agreed at meetings.

It appears that the Council has adequate insurance cover in place.

Conclusion:

No further action required.

Budgetary Control and Reserves

We aim in this area to ensure that the Council is affording an appropriate level of consideration to its budgetary requirements given its current and future development aspirations and that it also undertakes effective monitoring of its financial position during the course of the year.

We are pleased to note that members have considered their financial requirements for 2018-2019, approving formally at the January 2018 Council meeting a precept of £1,000. This is not adequate to cover the Council's budgetary spend, however there was £6330 of reserves left from last year. There is no mention in the minutes of how the figure of £1,000 was reached. As this is an unprecedentedly low precept figure, we would have expected to have seen detailed discussion minuted on the logic of this decision and discussion on how the precept could be raised back up to normal levels, given that even though the reserves at present are quite high they are not sustainable on this level of precept.

The Council's minutes contain no indication that members receive any reports during the course of the year formally comparing actual receipts and payments with the planned budget for the year. We do, however, note that the clerk provides detail at each meeting of the payments due and all moneys received since the last meeting, which affords a small degree of financial control.

We have reviewed the year-end balance, noting that it equates to approximately 19.05 month's normal revenue spending, which we consider more than adequate for the future planned level of spend.

Having measured actual expenditure against the budgeted spend, it appears that most costs have either been in line with or lower than the budgeted spend.

Conclusion:

The Council appears to have good budgetary control and has an adequate level of reserves. The Council may need to consider whether to increase the budget slightly for fluctuating expenses such as Section 137 spending.

Review of Income

The Council receives limited income by way of the annual precept and other conference fees where available.

Conclusion:

The Council should keep in mind the reduced income that it will be receiving in the future when setting the precept and determining budgets.

Petty Cash Account

The Council does not operate a petty cash account. Any out of pocket expenses incurred by the clerk or other staff in connection with their work for the Council is reclaimed monthly and paid with their salaries or by separate cheque.

Salaries and Wages

The clerk is paid a monthly salary in accordance with the rate approved by the Council. The amenity cleaner also receives payment each month based on contracted hours at a set hourly rate determined by CWaC.

We note that employment contracts are in existence for the clerk and amenity cleaner and have checked and verified, on a sample basis, the amounts paid monthly to both employees, with the tax and any NI contributions that may arise being deducted and paid over to HMRC quarterly.

Conclusion:

No further action required.

Asset Registers

The Local Audit and Accountability Act 2014 and Accounts and Audit Regulation 2015 require all Councils to maintain a record of all assets owned. A formal asset register has been put in place which lists the current assets and their values.

Conclusion:

No further action required at this time.

Statement of Accounts and Annual Return

The clerk has prepared a financial statement containing comparative figures and notes explaining reasons for increases and decreases in both income and expenditure. We have examined the content of the financial statement for 2018-2019 agreeing detail to the underlying cashbook record.

We have also verified the detailed entries to be recorded in Section 1 of the Annual Return as being consistent with the cashbook data for the year.

Conclusion:

On the basis of our independent examination, we have signed off the internal audit certificate at Section 4 of the Annual Return assigning positive assurances in each relevant area.