

Stanford Rivers Parish Council

Internal Audit Report: Final update 2022-23

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Background

Statute requires all town and parish councils to arrange for an independent Internal Audit (IA) examination of their accounting records and systems of internal control and for the conclusions to be reported each year in the Annual Governance & Accountability Return (AGAR).

This report sets out the work undertaken during our two review visits for the 2022-23 financial year, which were both undertaken at the offices of North Weald Bassett PC on 1st December 2022 and 25th May 2023, together with a raft of work undertaken at our offices. We thank the Clerk in assisting the process, providing all necessary documentation in either hard copy or electronic format to facilitate the review process.

Internal Audit Approach

In undertaking our review, 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 / AGAR. Our programme of cover is designed to afford appropriate assurance that the Council's financial systems remain 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 of the 'Internal Audit Certificate' in the Council's AGAR, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We are again pleased to acknowledge the continued high quality of records maintained by the Clerk and to conclude that, on the basis of the work undertaken this year, the Council continues to operate adequate and effective internal control arrangements. We noted one error in identifying recoverable VAT in the cashbook at our interim review, detail of which we drew to the Clerk's attention with appropriate corrective action taken before the financial year-end. Detail of the work undertaken this year is set out in the body of the following report with the one resultant recommendation further summarised in the appended Action Plan.

We have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area, providing a copy for the Clerk's necessary further action. We also take this opportunity to remind the Clerk and Councillors of the requirements of the guidance notes in the preface to the year's AGAR in relation to the documentation that should be displayed on the Council's website.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Clerk uses an Excel spreadsheet to maintain the accounting records on a receipts and payments basis for the financial year with two accounts in use at Unity Trust Bank.

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in the spreadsheet cashbook. To that end, we have:

- Checked and agreed the opening balances with the 2021-22 closing Statement of Accounts and certified AGAR;
- Ensured that transactions are appropriately analysed in the cashbook to facilitate production of the detailed year-end Accounts & AGAR;
- Ensured that the accounts remain 'in balance' at the financial year-end;
- Checked and agreed the full year's financial transactions, as recorded in the Excel spreadsheet, to the supporting bank account statements with no issues arising;
- Ensured that the cashbook balance reconciles with the combined bank statement balances as at 31st October 2022 and 31st March 2023; and
- Ensured the accurate disclosure of the combined account balances in the AGAR at Section 2, Box 8.

Conclusions

We have made previous reference to the requirement for bank reconciliations to be subjected to periodic independent review and sign-off during the year and are pleased to note that positive action has been implemented during the current financial year.

Review of Corporate Governance

Our objective here 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 (SOs) and that, as far as we are reasonably able to ascertain as we do not attend meetings, no actions of a potentially unlawful nature have been or are being considered for implementation.

We note that both SOs and Financial Regulations (FRs) have been subjected to further review and minor amendment, both being re-adopted at the May 2022 meeting.

We have continued our examination of minutes of Council meetings reading those for the financial year and to date in 2023-24 as posted on the Council's website to establish whether any issues arise that may have an adverse effect on the Council's future financial stability and are pleased to record that no such matters have been identified in this respect currently.

We note that the external auditors signed-off the 2021-22 AGAR referring to the absence of any formal review and / or re-adoption of the risk register during that year. We have also made previous reference to the need to ensure compliance with the Transparency Code and Accounts and Audit Regulations 2015 in relation to the extent of detail to be posted on the Council's website and are pleased to acknowledge that appropriate detail is now being recorded.

Conclusions

We are pleased to report that no issues arise in this review area this year warranting formal comment or recommendation. We shall continue to monitor the Council's approach to governance at future reviews, also continuing our review of minutes.

Review of Payments & VAT

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 analysis has been applied in the cashbook to invoices when processed; and
- VAT has been accurately and appropriately identified in the cashbook to facilitate recovery.

We have discussed the payment authorisation and release processes with the Clerk and consider them sound and appropriate for the Council's present requirements with invoices being examined, initialled and dated by members appropriately confirming approval for payment.

We have examined, due to their low volume, all payments processed and recorded in the cashbook for the financial year confirming compliance with the above criteria with no issues arising other than in relation to the 20th July 2022 payment to SK Automotive where the VAT element of the invoice (£160.00) had not been identified accordingly in the spreadsheet cashbook: we drew this to the Clerk's attention for appropriate correction, which has been actioned appropriately prior to preparation and submission of the year's VAT return.

We also note that the 2021-22 VAT reclaim was submitted to and been repaid by HMRC, also noting that the 2022-23 reclaim has been prepared and submitted, but had not been repaid at the time of this final review for the year.

Conclusions and recommendation

We are pleased to report that no issues have arisen in this area of our review process other than in relation to the non-recording of VAT in the cashbook in relation to the above highlighted payment.

RI. The Clerk should amend the cashbook to identify the currently overlooked VAT on the highlighted payment. This has been actioned accordingly.

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 noted in last year's report that the Financial Risk Register had not been subjected to scrutiny and formal re-adoption during that financial year: we are pleased to note that an appropriate document was prepared and adopted by the Council in May 2022: we have examined the content of the document and consider it appropriate for the Council's present requirements.

We have also reviewed the current year's insurance schedule with Zurich Municipal noting that Public and Employers Liability are both in place at £10 million, together with Fidelity Guarantee (FG) cover standing at £50,000 and Business Interruption – Loss of Revenue cover in place at £4,500, all of which we consider appropriate for the Council's present requirements.

Conclusions

We are pleased to record that no issues arise in this area: we shall continue to monitor the Council's approach to the management of potential risks at future visits.

Budgetary Control and Reserves

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and the level of precept to be drawn down from the District Council: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

We are pleased to note that, following due deliberation on the budgetary and precept requirements for 2023-24, the Council approved and adopted the latter at the January 2023 Council meeting setting the precept at £21,684.

We have reviewed the year-end budget outturn and are pleased to record that no significant or unexplained variances existed. We have also considered the level of reserves held by the Council noting that they total £55,571 as at 31st March 2023, comprising EMRs of £17,938 leaving a General Reserve balance of £37,633, which equates to in excess of a years' spending at the 2022-23 level.

Conclusions

We are pleased to record that no issues arise in this area warranting formal comment or recommendation.

Review of Income

Our objective in this area is to ensure that robust procedures are in place to ensure that all income due to the Council is identified and invoiced (where applicable) appropriately with recovery effected within a reasonable time span. The Council has only limited income sources currently, primarily the annual precept, hire fees for the Toot Hill Village Hall, recoverable VAT and quarterly interest on the Unity Bank Deposit account.

We examined the Toot Hill Hall booking diary for September 2022 at our interim review ensuring that appropriate supporting documentation was in place by way of booking forms and invoices raised for those hires and were pleased to record that no issues arose in that respect.

We have also, as part of our above cashbook review, ensured receipt and recording of interest earned on the Unity Deposit account.

Conclusions

We are pleased to report that no issues have arisen in this area of our review process warranting formal comment or recommendation. We shall continue to monitor the Council's income controls at future visits.

Petty Cash Account

The Council does not operate a petty cash account, any out-of-pocket expenses incurred by the Clerk or litter picker being reimbursed by separate cheque as and when required.

Review of Staff Salaries

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 and the calculation, deduction and payment over of income tax and NI contributions. To meet this objective, we have:

- Reviewed the Council's payroll preparation procedures noting that salaries are calculated by the Clerk using the HMRC PAYE Tools software;
- Previously checked to ensure that a formal employment contract is in place for the Clerk, also now noting the Council's approval of a pay award for her effective from 1st April 2022;
- Ensured that the monthly salary payments for the year are in accordance with that contract and approved salary;
- Ensured that tax deductions are made in accordance with the Clerk's tax code (no NI contributions apply, as the monthly salary is below the contribution level);
- Noted that the Clerk is not contributing to a pension scheme; and
- Verified the amounts paid to the Clerk and HMRC each month in the year.

Conclusions

No issues arise in this area of our review process warranting formal comment or recommendation.

Asset Registers

The Practitioner's Guide requires all councils to maintain a record of the assets owned. We note that the new picnic benches acquired during 2022-23 have been added to the asset register and included in the asset value at Section 2, Box 9 of the 2022-23 AGAR, also noting that no disposals occurred.

Conclusions

No matters have been identified in this area this year warranting formal comment or recommendation.

Investments and Loans

Our objectives here are to ensure that the Council is “investing” surplus funds, be they held temporarily or on a longer term basis in appropriate banking and investment accounts; that the Council is obtaining the best rate of return on any such investments made; that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

We have confirmed that the Council holds no long-term investments requiring separate disclosure in the Statement of Accounts / AGAR. As indicated earlier in this report, we have reviewed the Unity Deposit account transactions ensuring that the quarterly earned interest is correctly accounted for.

The Council has one outstanding loan with the PWLB, which is repaid twice yearly: we have checked and agreed both repayment instalments for 2022-23 to the PWLB payment demand notices as part of our payment checking and have also now verified the accurate disclosure of the residual loan liability at 31st March 2023 by reference to the UK Debt Management Agency’s audit advice of that balance.

Conclusions

No matters arise in this area warranting formal comment or recommendation this year.

Statement of Accounts and AGAR

The AGAR now forms the statutory Accounts of the Council, subject to external audit scrutiny and certification. We have reviewed and verified the content of the financial information in each of the Boxes by reference to the supporting spreadsheet cashbook and, as above, the asset register and UK Debt Agency year-end statement.

Conclusions

No issues arise from our work in this area and, based on the satisfactory conclusions drawn from our overall programme of work during the year, we have duly signed off the IA Certificate in the Council’s AGAR assigning positive assurances in all relevant areas.

Rec. No	Recommendation	Response
Review of Payments and VAT		
R1	The Clerk should amend the cashbook to identify the currently overlooked VAT on the highlighted payment.	<i>This has been amended appropriately prior to the financial year-end.</i>