AUDITING SOLUTIONS LTD

Broad Town Parish Council

Internal Audit Report 2022-23

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Background

Statute requires all town and parish councils to arrange 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 AGAR.

This report sets out the work undertaken in relation to the 2022-23 financial year. We have again undertaken our review for the year remotely: we wish to thank the Clerk for assisting the process, providing documentation in electronic format to facilitate completion of our review for the year and sign off of the Internal Audit Certificate in the year's AGAR. We have undertaken sufficient substantive testing to determine whether governance and financial controls remain effective.

Internal Audit Approach

In undertaking the review for the year, we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end AGAR. Our programme of cover has, as with all our clients, 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 of the 'Internal Audit Report' in the Council's AGAR, which requires independent assurance over a number of internal control objectives.

Detail of the work undertaken on the Council's accounting and other records is set out in the following detailed report, together with those issues arising with recommendations further summarised in the appended Action Plan.

Overall Conclusions

We are pleased to note considerable improvements in governance and internal control throughout 2022-23, which is to the credit of the Clerk now that the staffing position has settled. Therefore we are able to offer the Council a reasonable level of assurance on its procedures. While we have not seen the need to make any formal recommendations this year, we have made a number of observations throughout this report, which we would invite the Council to carefully consider.

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Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in those records. We note that three bank accounts continue in operation with Lloyds Bank.

We note that the Clerk is continuing to maintain a cashbook on an Excel spreadsheet, which is entirely appropriate for a Council of this size.

We note that bank reconciliations are reported to each Council meeting.

Conclusions

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

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place that Council and Committee meetings are conducted in accordance with the adopted Standing Orders (SO's) and Financial Regulations (FR's) and that, as far as we are reasonably able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We also aim to ensure that appropriate policies, procedures and protocols are in place to prevent and provide a reasonable assurance of the detection of any fraudulent or corrupt activity.

We note that the Council readopted its SO's and FR's during the year. However, we have informed the Clerk that the version of SO's in use is not the most up-to-date NALC Model Form, which can be obtained from WALC.

We have examined the Council's Minutes for the financial year to identify whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability and are pleased to record that no such issues arise in this respect.

We note that the Clerk is not CiLCA qualified, and therefore the Council relies on its Section 137 powers, although no relevant expenditure has been recorded during the year.

We have confirmed that the Exercise of Public Rights with regard to the 2021-22 Accounts was properly undertaken in accordance with the Accounts and Audit Regulations.

The Council's website records a good level of information with regard to the 2021-22 Accounts, which satisfies the requirements of the Transparency Code 2015, although this information needs to be updated for 2022-23.

Conclusions

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

Review of Payments and VAT

We have undertaken substantive testing of a range of payments made during the year to ensure that the following criteria were met:

- Payments are supported by a trade invoice or acknowledgement of receipt;
- Members are scrutinising all payments and evidencing their review accordingly;
- VAT has been calculated correctly and is recovered at appropriate intervals;
- The Council at a Council meeting approved each payment; and
- Payments have been correctly analysed in preparation of the year-end Statement of Accounts.

We have test-checked a sample of transactions throughout the year. We note that a good level of information on approved payments is provided in the Minutes, and is recorded on the invoices chosen for sampling by the use of a rubber stamp. This procedure amply meets our 2021-22 recommendation on this issue.

We have confirmed that VAT is being properly recorded in the cashbook and recovered from HMRC on an annual basis. A balance of £879.10 remains on the cashbook to be reclaimed for 2022-23.

Conclusions

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

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 & 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 note that the Risk Register was most recently reviewed by the Council in January 2023, which meets the requirements of Financial Regulations for at least an annual review.

The Council's insurance is provided by Zurich, with Employer's and Public Liability cover both in place at £10 million, together with Fidelity Guarantee cover at £25,000, all of which we consider appropriate for the Council's present requirements. However, we again note that, while there is clear Public Liability cover for playground use which will cover possible injuries to users, there still appears to be no cover for damage to the playpark equipment itself. This should be discussed with the Council's insurers.

Further to our comment last year, we are still concerned that there is no evidence of regular visual safety inspections being undertaken by the Council. Evidence of such inspections, on a weekly basis, is increasingly being called for by insurers to guard against unwarranted claims.

Conclusions

No matters have been identified in this area warranting further comment or recommendation, other than our concerns about insurance cover for, and regular visual safety inspections of, the Council's playpark.

Precept Determination and Budgetary Control

We note that the Council properly considered its 2023-24 Budget and Precept at its January 2023 meeting, setting its Precept at £10,096.

We are unclear on the level of Earmarked Reserves. We have allowed for the Community Fund balance of £12,772 recorded in the cashbook as at 31 March 2023, but cannot see any other relevant figure. Set against the 31 March 2023 cash balance of £22,119 this leaves a General Reserve of £9,347, which represents over 90% of the Precept.

We would suggest that Earmarked Reserves should be properly considered and Minuted as part of the annual Budget setting and Precept exercise.

Conclusions

No matters have been identified in this area warranting further comment or recommendation, other than our concern about the clarity of Earmarked Reserves.

Review of Income

The Council receives limited income primarily by way of the annual Precept, small amounts of bank interest and recovered VAT, together with donations received into the Community Fund for specific projects. We have agreed a sample of receipts to bank statements and other available supporting documentation.

Conclusions

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

Petty Cash Account

The Council does not operate a petty cash account. Therefore, there are no matters arising in this area warranting further comment or recommendation.

Review of Staff Salaries

In examining the Council's payroll function, we aim to confirm that salary payments are in line with the Council approved pay rates and that extant legislation is being appropriately observed as regards adherence to the requirements of HMRC legislation in relation to the deduction and payment over of income tax and NI contributions.

We have test-checked the Clerk's pay for the year, with no issues arising. We note that the Clerk is now paid monthly from November 2022, although we note the payment of some penalties to HMRC for late payment of deductions. Therefore, we again repeat our suggestion from last year's report that the Council considers contracting out the payroll function to a specialised provider, which is increasingly common across the Parish Council sector.

While we have not found any errors in the calculations, we have again found errors in the total figure reported for Staff Costs in Box 4 of the draft 2022-23 AGAR, which again includes a Working from Home Allowance which is not officially recognised in the Government Accounting Manual as a direct staff cost. We have referred this to the Clerk for correction in the final 2022-23 AGAR.

Conclusions

No matters have been identified in this area warranting further comment or recommendation, other than our observation about the correct calculation of total Staff Costs in the AGAR.

Fixed Asset Register

We again note the existence and maintenance of an appropriate Register, with all identified assets valued at original cost price or, if this is not available, a nominal £1. This satisfies the requirements of Government Accounting.

We have reconciled the Asset Register as at 31 March 2023 to the brought forward figure from 31 March 2022, noting the purchase of two assets during 2022-23. These were incorrectly valued in the Asset Register due to the inclusion of VAT. We have calculated the correct total as £14,994.64, which should be shown in Box 9 of the 2022-23 AGAR as £14,995. We have referred these amendments to the Clerk.

Conclusions

No matters have been identified in this area warranting further comment or recommendation, other than the required changes to the valuation as at 31 March 2023.

Investments and Loans

The Council holds no funds in investments, nor does it have any loans in place either repayable by or to it.

Statement of Accounts and AGAR

The AGAR forms the Council's Statutory Accounts subject to independent external audit examination and certification.

Conclusions

Other than our observation above about the correct calculation and disclosure of Staff Costs on Box 4 of the Accounting Statement, with a concomitant effect on Box 6 (All other payments), and the correction to the Fixed Assets total (Box 9), no additional issues arise in this review area and, based on the work undertaken this year, we have duly signed off the Internal Audit Report in the AGAR, assigning appropriate assurances in each relevant area based on our conclusions above.

Rec. No	Recommendation	Response
	No recommendations made	