John P Watson & Co

Ashingdon Parish Council

Internal Audit Report 2022-23

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Introduction

Legislation introduced from 1st April 2001, requires all Town and Parish Councils to implement an independent internal audit examination of their accounts and accounting processes annually. The following report complies with these requirements.

This report sets out the work undertaken in relation to the 2022-23 financial year, during the course of the audit, which was finalised on 24th May 2023.

Internal Audit Approach

The basis of the review is that regard should be given to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts/AGAR. The programme of cover has been designed to afford appropriate assurance that the Council's financial systems remain robust and operate in a manner to ensure effective control 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 assist the completion of the 'Internal Audit Report' as part of the Council's AGAR process, which requires independent assurance over several internal control objectives.

Overall Conclusion

We are pleased to acknowledge the quality of records maintained by the Clerk/RFO and thank her for her assistance during this internal audit review of the 2022-23 financial year, which has ensured the smooth progress of our work.

We have completed and signed the 'Annual Internal Audit Report' in the year's AGAR, having concluded that, in all significant respects, the Internal Control Objectives set out in that report, (with the exception of Internal Control Objective 'M' as described later in the Report), were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

1 Accounting Records & Bank Reconciliations

a) **Objective**
To ensure that the accounting records are being maintained accurately and currently and that no incorrect or inexplicable entries appear in cashbooks or financial ledgers.

b) **Detail**

i. There are two bank accounts in operation with Barclays Bank being the Community Account and the Business Premium Account. Additionally, during the year, the Council opened bank accounts with Unity Trust and with Hampshire Trust Bank the latter being a three year bond.
ii. The Council maintains their accounting records by way of Rialtas Alpha software which is more than adequate for a Council of this size given a wide detail of analysis provided by the system.
iii. The opening cashbook balance for 2022-23 has been reconciled to the 2021-22 closing Statement of Accounts and the certified AGAR detail.
iv. VAT is identified separately in the accounting software.
v. All transactions in the cashbooks of the Barclays Bank Community Account and the Barclays Business Premium Accounts have been checked for the months of April and October 2022 and for the month of March 2023. All were complete and accurate and had been prepared in a timely manner.
vi. All transactions in the cashbook of the Unity Trust Account have been checked for the year with no issues arising.
vii. The Hampshire Trust Bank Account had no movements in the year, interest due to be credited on 21st September 2023 and annually thereafter.
viii. Bank Reconciliations were prepared on a regular basis. These have been checked and were complete and accurate.
ix. It is noted that the Chair of the Council signs off on all journals.
x. All accounts remained "in balance" at the end of the period under review.
xi. It is noted that a regular back up of the accounting records are made to the Cloud. It is suggested that, to protect the integrity of the records, a second backup be made to another medium.

c) **Conclusion**

i. It is suggested that, to protect the integrity of the records, a second backup be made to another medium.

2 Corporate Governance

a) Objective
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, bearing in mind we do not attend Council or Committee

meetings, no actions of a potentially unlawful nature have been or are being considered for implementation.

b) Detail

i. The Council Minutes have been reviewed for the year to date by reference to the Council's website and in hard copy format, to identify whether any issues arise that may have an adverse effect on the Council's future financial stability, either in the short, medium or longer term.

ii. Standing Orders were reviewed and agreed at the Council meetings on 9th May 2022 (minute 22/47 (a) refers and at the meeting on 5th September 2022 (minute 22/129 (b) refers). It was noted that the Standing Orders loaded on the website did not specify the date of approval and understand that the Clerk has now rectified this.

iii. Financial Regulations were reviewed and agreed at the Council meeting held on 9th May 2022 (minute 22/47 (b) refers.

iv. It is noted that the Standing Orders do not reflect the tendering limits stated in the Financial Regulations. It is <u>suggested</u> that the Standing Orders be brought into line with Financial Regulations.

v. The 2023/2024 precept was agreed in the amount of £117,291 at the Council meeting held on 9th January 2023 (minute 22/223 refers).

vi. Council approved the Statement of Internal Controls at their meeting on 9th May 2022 (minute 22/47 (c) refers).

vii. The Council has not correctly provided the proper opportunity for the exercise of public rights following the audit for 2021-22 in that the thirty days required was advised as to commence on 20th June 2022 which was actually the date of the announcement. Statute requires that the thirty days commence the day after the date of the announcement resulting in the proper opportunity for the exercise of public rights being twenty nine days rather than the thirty days required. This will result in a negative response in respect of Internal Control "M" in the Annual Internal Audit Report.

c) Conclusion

i. It is <u>suggested</u> that Standing Orders and Financial Regulations be brought into line in respect of tendering limits.

ii. It is <u>recommended</u> that care be taken when completing the Notice of Public Rights in respect of the year under review. It is pointed out that there are two date deadlines to be met.

3 Expenditure

a) Objective

To ensure that the Council follows good practice when making payments.

b) Detail

i. A sample of non-salary related payments for the year including those individual payments over £500 plus approximately every 15th other payment, as recorded in the current account cashbook were checked. The test sample totalled £58,251 which equated to approximately 70% of all non-salary related payments made in the Financial Year to the 31st March 2023.

ii. All payments were supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due. It was noted that VAT was incorrectly taken in respect of the invoice from Insurance Brokers Gallagher & Co. It is suggested that the Clerk correct this in the next repayment submission to HMRC.

iii. All payments were approved by Council members as required.

iv. All discounts due on goods and services were taken where appropriate.

v. It is noted that all online bank transactions are entered by the Clerk and authorised by a Councillor.

vi. VAT has been appropriately identified for periodic recovery although it was noted that, as detailed above, in one instance VAT had been recorded incorrectly. This has been brought to the attention of the Clerk.

vii. It is noted that the Council holds a Debit Card, all transactions in respect of this card being approved as part of the payment approval process.

viii. The full details of each months' payments have been presented to Members at Council meetings and minuted accordingly.

c) Conclusion

i. It is suggested that the Clerk amend the next repayment submission to HMRC in respect of the incorrectly claimed VAT.

4 Risk

a) Objective

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.

b) Detail

i. Council last completed their Risk Assessment Review at the Council meeting held on 9th May 2022 (minute 22/479 (e) refers)

ii. The Clerk regularly undertakes inspections of the Council Play Area, action being taken on any issues arising. It is understood that this was not done during the Clerk's recent and ongoing sick leaves and recommend that, should a similar instance occur in the future, arrangements be made for this to be done. Council is reminded that it is a statutory requirement to retain all playground inspection reports for a period of eighteen plus three years, twenty-one years in total, and to ensure that a reasonable and proportionate Playground Management Policy is in maintained.

iii. An annual inspection is undertaken of the Council Play Area by a RoSPA accredited Inspector.

iv. Council's insurance is with Hiscox through the brokers Gallagher. The current policy expires on 23rd March 2024 with Employers and Public Liability being set at £10m and Fidelity Guarantee being set at £500k.

c) Conclusion

i. It is recommended that, should the Clerk be incapacitated in the future, arrangements be made for the regular inspection of the Play Area.

5 Precept Determination

a) Objective

To ensure that the Council has the appropriate procedure in place for identifying and approving its future budgetary requirements and level of precept to be drawn down from the District Council.

b) Detail

i. Council discussed the 2023/2024 budget at their meetings on 25th November 2020 (minute 22/193 refers) and on 5th December 2022 (minute 22/209 refers).
ii. The final budget was agreed at the Council meeting on 9th January 2023 (minute 22/223 refers).
iii. The precept in the amount of £117,921 was agreed at the Council meeting held on 9th January 2023 (minute 22/223 refers).

c) Conclusion

There are no matters to be commented on in this area of the Report.

6 Budget Control

a) Objective

To ensure that Council has an effective reporting and monitoring process is in place and also 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.

b) Detail

i. Council are regularly provided with detail of the monthly receipts and payments.
ii. Council are provided with a budget report on a quarterly basis.
iii. It is noted that Total Reserves at the year end were £235,610. Earmarked Reserves are £153,367. The balance of General Reserves at £103,242 equates to between one and two months average revenue expenditure which is below the currently accepted guideline of between three and six months average revenue expenditure. It is noted that there was extraordinary expenditure during the year

iv. The year-end budget outturn has been reviewed for any significant unexplained variances with none in evidence.

c) Conclusion
There are no matters to be commented on in this area of the Report.

7 Income

a) Objective
To ensure that Council has appropriate procedures in place to ensure that all income due is identified, invoiced (if necessary), recovered and banked in a timely manner.

b) Detail

i. The sources of income available to the Council are the precept, VAT recovery. Bank Interest and occasional grants and donations

c) Conclusion
There are no matters to be commented on in this area of the Report.

8 Petty Cash

a) Objective
To ensure that the Council follows good practice when making cash payments.

b) Detail
The Parish Council does not hold Petty Cash.

c) Conclusion
There are no matters to be commented on in this area of the Report.

9 Salaries

a) Objectives
To confirm that current Employment Law is being appropriately observed together with the requirements of HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the revised local government pension scheme, to which employees contribute.

b) Detail.

i. Council has approved, by way of the minutes of Council meetings, the salary for the Clerk. The NJC pay award for 2022-23 has been issued and the Clerk has been paid accordingly.
ii. The payroll has been outsourced to James Todd & Co.
iii. The salary in respect of the Clerk has been checked for the months of September and November 2022 and for the month of March 2023 with no issues.

iv. The salary in respect of the Litter Operative/Handyman has been checked for the month of March 2023 with no issues.
v. All required payments have been paid to HMRC in a timely manner in respect of PAYE/NI deductions.
vi. All required payments have been made in a timely manner to the Essex Pension Fund

c) Conclusion
There are no matters to be commented on in this area of the Report.

10 Asset Register

a) Objective
To ensure that the Council develops and maintains a register of assets identifying detail of all land, buildings, vehicles, furniture and equipment owned by the Council as required by the Governance and Accountability Manual.

b) Detail
i. The Council maintains a formal Asset Register which has been prepared using purchase cost uplifted or decreased to reflect the acquisition or disposal of any assets (where applicable) during the financial year.
ii. The Council does not currently maintain a photographic record of its assets. It is suggested that this be done. Should the need arise to make an insurance claim relating to an Asset, being able to produce a photographic record of that asset will be useful in progressing any such claim.
iii. The Asset Register as at 31st March 2023 has not been approved by Council. It is recommended that the Asset Register should be approved by Council annually.

c) Conclusion
i. It is suggested that a photographic record be made of all Parish Council Assets.
ii. It is recommended that the Asset Register should be approved by Council annually .

11 Investments and Loans

a) Objective
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 an appropriate investment policy is in place; 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.

b) Detail

i. Council holds no long-term investments, the three year bond with Hampshire Trust Bank not qualifying as such.
ii. Council last agreed their investment Policy at their meeting on 5th October 2021 (minute 21/22/182 refers). It is suggested that this Policy should be reviewed on an annual basis.
iii. Council does not have any loans with external bodies repayable by or to it.

c) Conclusion

i. It is suggested that the Investment Policy should be reviewed on an annual basis.

12 Statement of Account and AGAR

a) Objective

To ensure Council meets the requirements of the 1996 Accounts and Audit Regulations in that they must prepare annually a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council's financial affairs.

b) Detail

i. The Council's Rialtas accounting system automatically generates the Management Accounts, Balance Sheet, Trial Balance, Income & Expenditure Accounts and Reserves reports as part of the software's year-end closed down procedure.
ii. The initial reports produced by the system did not balance, this being due to the incorrect treatment of transfers to and from Earmarked Reserves. This has now been rectified.
iii. The amended reports have been checked against prime documentation, and it is confirmed that the Council's accounting reports accurately records the 2022-23 financial year's transactions. The software also generates the detail for inclusion in the year's Annual Return, which has also been verified as being consistent with the accounting and other relevant supporting records.

c) Conclusion

There are no matters arising in this area of our review warranting formal comment or recommendation and, on the basis of the work undertaken during the course of our review for the year, the Internal Audit Certificate in the Annual Return has been completed and signed assigning positive assurances in all areas with the exception of Internal Control Objective 'M' as detailed in Section 2. b. vii above.

25th May 2023