

Tilney St Lawrence Parish Council

Internal Audit Report: 2022-2023

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*For and on behalf of
Auditing Solutions Ltd*

Background

The Accounts and Audit Regulations introduced from 1st April 2001, as amended periodically, require all Town and Parish Councils to implement 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 and Accountability Return (AGAR).

This report sets out the work undertaken in relation to the 2022-23 financial year during our review of the Council's records for the year which has been undertaken remotely on 24th April 2023. We thank Clerk for assisting the process, providing all necessary documentation in electronic format to facilitate completion of this year's review.

Internal Audit Approach

In undertaking this initial review, we have as previously had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover has 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 'IA Certificate' as part of the Council's AGAR process, which requires independent assurance over several internal control objectives.

Overall Conclusion

We are pleased to conclude that, on the basis of the programme of work undertaken this year, the Clerk and Council have continued to maintain adequate and effective internal control arrangements over the Council's finances. We have, however, identified a few issues that have required formal comment and recommendations.

We have duly completed and signed the 'IA Certificate' in the year's AGAR with no significant issues of concern identified. We take this opportunity to remind the Clerk 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, together with the need to ensure compliance with the timing requirements for publication of the Notice of Public Rights to examine the Council's documentation for the financial year.

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 cashbooks or financial ledgers. We note that the Council has moved to Scribe Accounts for its accounting requirements from 2022-23. Four bank accounts are in place, two with TSB and two with Unity Bank.

As part of our review process, we have: -

- Checked and agreed the opening balances for 2022-23 to the closing cashbook balances and certified AGAR for 2021-22;
- Ensured that appropriate analyses of receipts and payments exist in the Scribe Accounts;
- Agreed detail of transactions, as recorded in the spreadsheet cashbook, verifying all on each account in use during the year to relevant bank statements;
- Ensured that the accounts remain “in balance” at the financial year-end;
- Ensured that no long outstanding unrepresented cheques or other anomalous entries exist;
- Noted that bank reconciliations are prepared, reviewed and are signed off routinely by members;
- Verified the accuracy of the year-end bank reconciliation; and
- Ensured the accurate disclosure of the combined bank balances in the year’s AGAR at Section 2, Box 8.

Conclusions

We are pleased to report that there are no issues arising in this review area warranting formal 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 meetings are conducted in accordance with the adopted Standing Orders 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 have examined the Council’s minutes for the financial year to ensure that no issues affecting the Council’s financial stability either in the short, medium or long-term exist, also that no legal issues are in existence whereby the Council may either be considering or have taken decisions that might result in ultra vires expenditure being incurred.

We are pleased to note that both Standing Orders (SOs) and Financial Regulations (FRs) were reviewed and re-adopted by Council at their meeting in May 2022, also noting that both documents refer to the 2015 EU Regulations in relation to contracting and tendering, specifically in relation to the need to formally advertise any contractual work in excess of £25,000 on the Government’s Contract Finder Website.

We note however that although the Council formally adopted the 2023-24 budget at its meeting in November, it did not formally adopt the precept as required by the Councils' Financial Regulations (para 3.4 refers).

It was not possible to track a copy of the Provision for the Exercise of Public Rights for 2021-22 on the Council website and whilst a copy was provided by the Clerk, the Council is not able to provide a positive response for Assertion 4 of Section One of the Annual Governance Statement for 2022-23 as it has not complied with Sections 20(2) and 25 of the Local Audit and Accountability Act 2014 Accounts and Audit Regulations 2015 (SI 2015/234).

The external auditors made several comments in their conclusion of audit as follows;

The smaller authority has included typewritten signatures in Sections 1 and 2 of the Annual Governance and Accountability Return (AGAR) submitted for review and, as a result, it has not been possible for us to conclude that the AGAR has been properly approved. Please ensure that 'wet' signatures are included on all AGARs submitted for review and published in future, in line with the Accounts and Audit Regulations 2015.

The AGAR was not accurately completed before submission for review. Please ensure that amendments are corrected in the prior year comparatives when completing next year's AGAR: • Section 2, Box 8 for the current year should read £34,595 to agree to the bank reconciliation submitted for review; • Section 2, Box 10 is inconsistent with the balance published by the Public Works Loan Board. The figure in Box 10 for the current year should read £13,262.

We have reviewed the AGAR and confirmed that, Section 2 Box 8 has been restated to £34,595 and that the figures for 2022-23 are correct and that Section 2, Box 10 is correct, being restated for 2021-22 and agreeing to the balance published by the Public Works Loan Board in 2022-23.

Conclusions

The Council should, in line with the Financial Regulations (para 3.4) approve the annual precept at the January meeting at the latest each year. The Council is required to comply with the Accounts and Audit Regulations 2105, which it has failed to do in regard to both the publication of the Exercise of Public Rights, and in the proper approval of the Annual Governance and Accountability Return. We note that the return for 2022-23 shows a restatement of the accounts for 2021-22 as requested by the external auditor and that the figures provided for 2022-23 from the Scribe Accounts system are correct.

R1. As the Council did not correctly publish the Provision for the Exercise of Public Rights for 2021-22 on the Council website, the Council is not able to provide a positive response for Assertion 4 of Section One of the Annual Governance Statement for 2022-23 as it has not complied with Sections 20(2) and 25 of the Local Audit and Accountability Act 2014 Accounts and Audit Regulations 2015 (SI 2015/234).

R2. 'Wet' signatures are required for the signing of Sections One and Two of the Annual Governance and Accountability Return (AGAR) to confirm that it has been properly approved.

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 to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We selected a sample of transactions recorded in the cashbook for the year at our review for compliance with the above criteria. Our test sample included 27 individual payments totalling £11,374 and equates to 66% by value of non-pay related transactions in the financial year. We are pleased to record that all payments are reported to Council, recorded in the minutes and that invoices are being “signed-off” as having been checked and approved by the Clerk and two councillors. We note however, that of the sample we reviewed the supporting paperwork for three items was missing. The first was for a payment approved in the previous financial year for £200.00, the second was for a payment of £118.52 to the Councils’ energy provider, who have stopped sending invoices through the post and the third was for the January loan repayment to PWLB for £784.45. We are aware that this is the first year at the council for the Clerk and that it can be difficult for changes in staff to be recognised by suppliers etc. and that this can lead to problems in obtaining the required paperwork.

We also note that a VAT reclaim for 2022-23 has been submitted which reconciles to the underlying Scribe account report detail.

Conclusions and Recommendations

The Council does have good processes in place; however, it is important that all payments are accompanied by relevant paperwork supporting the expenditure.

R3. Council should ensure when approving invoices for payment that the correct paperwork supporting the expenditure accompanies the expenditure list.

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 have examined the Council’s approach to risk management noting that the Council reviewed and re-adopted its updated Financial & Operational Financial Risk register at their meeting on 9th May 2022: as mentioned in last years’ report, we consider the document generally appropriate for the Council’s present requirements, although we suggest that it could potentially benefit from inclusion of an assessment of the potential for the identified risks coming to fruition and also the potential impact on the Council (financial and / or political) should that event occur. We provided the Clerk with a specimen document used at a number of our clients, suitably tailored to their specific circumstances.

We also note that the Council’s insurance cover is provided by Ecclesiastical Insurance and have reviewed the policy with Public and Employer’s liability both in place at £10 million and Fidelity Guarantee set at £150,000 all of which we consider appropriate for the Council’s present requirements.

Conclusions and recommendation

Whilst we are pleased to report that there are no significant concerns arising in this review area, we reiterate our suggestion from last year that consideration be given to strengthening the extant risk register as indicated above.

R4. The Council should consider expanding and strengthening its existing risk register to afford an indication of the potential for identified risks coming to fruition and the potential financial and / or political impact should that eventuality happen.

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 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 also retaining appropriate sums to cover any unplanned expenditure that might arise.

We note from our review of the minutes that members are provided with quarterly reports detailing performance against the approved budget and have reviewed the latest outturn position with no unanticipated or unexplained variances apparent.

Although the Council approved and adopted the budget at its meeting in November, the minutes did not include the approval and adoption of the budget for 2023-24, para 1.13 and para 3.4 of the Councils Financial Regulations refer.

We have considered the level of retained reserves at the financial year-end noting the closing balance of £40,997, which includes identified earmarked reserves (EMRs) of £13,339: the residual General Reserve balance of £27,657 equates to approximately 13 months expenditure at the current level, which is slightly higher than the generally recognised range of between three- and twelve-months' revenue spending.

Conclusions

The Council is not able to delegate the approval of the precept, and the approval of this should have been included in the minutes before the end of January 2023.

R5. The Council should ensure that it recommends approval of the precept retrospectively at the next full meeting of the Council.

Review of Income

In considering the Council's income streams, we aim to ensure that robust systems are in place to ensure the identification of all income due to the Council from its various sources, to ensure that income is invoiced in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council.

The Council has a limited range of income sources other than the annual precept, including occasional grants, VAT refunds, Brickyard Rent and occasional other income. We have noted previously that the

Brickyard rent is subject to a five-year agreement expiring in 2023, and that work has begun on a new agreement. We note that the rent is underpaid by £360 at 31st March 2023.

Conclusions

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

Petty Cash Account

No petty cash account is in use, the clerk reclaiming any “out of pocket” expenses with her monthly salary payment, which is subject to the general authorisation and payment procedures referred to earlier in this report. Forty pounds is currently recorded in the petty cash ledger, which is a receipt for the sale of assets and will be banked in due course.

Review of Staff Salaries

In examining the Council’s payroll function, we aim to confirm that existing legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HMRC legislation as regards the deduction and payment over of income tax and NI contributions. To meet that objective, we have: -

- Ensured that the Clerk and Litter Picker’s (latter appointed in April 2021) salaries are being paid in line with the Council’s approved rate on the spinal scale point (Clerk) and fixed hourly rate (Litter picker) in accordance with their respective employment contracts and by reference to the February 2022 payslips;
- Noted that the national pay award for 2022-23 was paid to the Clerk in December 2022, together with arrears from 1st April 2022;
- Noted that the salary payment is approved as part of the monthly payment process;
- Ensured that tax and NI deductions (where appropriate) have been made based on the PAYE code shown on the payslips and NI Table; and
- Ensured that the appropriate month’s deductions and contributions have been paid over to HMRC in a timely manner.

Conclusions

We are pleased to report that there are no issues in this area of our review process warranting formal comment or recommendation.

Fixed Asset Registers

The Practitioner’s Guide requires that all Councils develop and maintain an appropriate register of its assets including all land, buildings, vehicles, furniture and equipment. We are pleased to note that a formal asset register is in place which has been updated to include new acquisitions and deletions since 31st March 2022.

We have also ensured the accurate reporting of the total asset value, as recorded in the register, to the disclosure in Section 2, Box 9 of the year’s AGAR.

Conclusions and recommendation

No issues arise in this area of our review warranting formal comment or recommendation. Due to this review again being undertaken remotely and the Council having appointed a new clerk, we reiterate our previous suggestion that, in line with best practice and to assist the smooth processing of any insurance claim or police investigation in the event of any damage occurring to Council property, consideration be given to the development of a photographic register of the Council's assets. We note a number of items included on the register are of low value, so we recommend that Councillors consider setting a de-minimus level of around £250.00 for items to be included on the register.

R6. As indicated in a prior year report, the Council should consider the development of a photographic register of its stock of outside equipment, which may assist the smooth expedition of any insurance claim in the event of theft, accidental or wilful damage to Council property.

R7. Councillors should consider setting a de-minimus level of around £250 for items to be included in the asset register.

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 disclosure in the Statement of Accounts as a Fixed Asset.

We have also checked the loan repayments made during the financial year to the PWLB payment requests as part of the above payment test sample.

Conclusions

We are pleased to report that no issues exist in this area of our review process.

Statement of Account and AGAR

The 1996 Accounts and Audit Regulations required all Councils to prepare annually a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council's financial affairs. This has subsequently been superseded with the AGAR no forming the Council's statutory Accounts subject to external audit review and certification.

We have reviewed the Statement of Accounts and AGAR detail, as generated from the accounting spreadsheet, with no obvious errors or anomalies in the content.

Conclusions

No issues have been identified in relation to our verification of detail in the Accounts and AGAR this year and we have duly signed-off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

Rec. No.	Recommendation	Response
Review of Corporate Governance		
R1	As the Council did not correctly publish the Provision for the Exercise of Public Rights for 2021-22 on the Council website, the Council is not able to provide a positive response for Assertion 4 of Section One of the Annual Governance Statement for 2022-23 as it has not complied with Sections 20(2) and 25 of the Local Audit and Accountability Act 2014 Accounts and Audit Regulations 2015 (SI 2015/234).	
R2	'Wet' signatures are required for the signing of Sections One and Two of the Annual Governance and Accountability Return (AGAR) to confirm that it has been properly approved.	
Review of Payments		
R3	Council should ensure when approving invoices for payment that the correct paperwork supporting the expenditure accompanies the expenditure list.	
Assessment and Management of Risk		
R4	The Council should consider expanding and strengthening its existing risk register to afford an indication of the potential for identified risks coming to fruition and the potential financial and / or political impact should that eventuality happen.	
Budgetary Control and Reserves		
R5	The Council should ensure that it recommends approval of the precept retrospectively at the next full meeting of the Council.	
Fixed Asset Registers		
R6	As indicated in a prior year report, the Council should consider the development of a photographic register of its stock of outside equipment, which may assist the smooth expedition of any insurance claim in the event of theft, accidental or wilful damage to Council property.	
R7	Councillors should consider setting a de-minimus level of around £250 for items to be included in the asset register.	