
Seend Parish Council

Internal Audit Report 2022-23

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Consultant Auditor

For and on behalf of
Auditing Solutions Ltd

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 all necessary documentation in electronic and hard copy 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 ensure that governance and financial controls remain effective.

Internal Audit Approach

In undertaking our 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 Statement of Accounts/AGAR. Our 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 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 ten internal control objectives.

Overall Conclusion

We have concluded that, based on the satisfactory conclusion of our annual programme of work, the Council has continued to maintain adequate and effective internal control arrangements, with no significant issues identified. We have, however, made a number of observations in this report which we would invite Council to consider in order to further improve the system of internal control.

We would specifically commend the work of the Clerk in the new accounting procedures introduced for 2022-23 in order to accord with the cash accounting basis which we have always felt is a much more appropriate basis for a Council of this size.

Consequently, we have completed and signed the year's 'Internal Audit Report', having concluded that, in all significant respects the control objectives set out in the Report have been achieved throughout the financial year to a standard adequate to meet the needs of the Council.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

We note that, with effect from 1 April 2022, the Council has dispensed with the services of its former accountants, and produced the accounts ‘in-house’ using a spreadsheet on a cash basis that removes the need for calculating debtors and creditors. We have commented on the former practice in previous years, and believe the new system is much more in common with practices undertaken by similar Parish Councils. The new system makes reconciliation between the Council’s prime records and the annual AGAR report simple and straightforward.

The Council maintains two bank accounts (Current and Deposit) with Lloyds Bank, and a savings account with the Bath Building Society. We have discussed with the Clerk the low rate of interest that the Council is currently receiving, and understand that he will be bringing proposals to Council to improve this income stream during 2023-24.

We note that bank reconciliations continue to be presented to Council for approval at each Meeting. We have test-checked these reports, and verified the year-end bank reconciliation. We also note evidence of independent check by a Councillor in accordance with Financial Regulation 2.2.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation, other than our approval of the new accounting system, and the desirability of improving bank interest receipts.

Review of Corporate Governance

We note that both Standing Orders and Financial Regulations were considered and approved by Council at the May 2022 meeting, with the tendering limits within both documents standardised at £10,000, which is a level we feel is appropriate to the Council’s expenditure pattern.

We have reviewed the Council’s Minutes for the financial year to determine whether any issues exist or may be developing that might have an adverse effect on the Council’s future financial stability, whilst also ensuring that, as far as we may reasonably be expected to determine, no decisions have been made or are being considered that might result in ultra vires expenditure being incurred. No such issues have been identified.

We are pleased to note a high level of compliance with the requirements of the Transparency Code 2015, with good data available for Public access on the Council’s website.

Finally, 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.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

Review of Payments & VAT

We have reviewed a sample of payments made during the year to ensure that the following criteria were met:

- Payments were supported by a trade invoice or acknowledgement of receipt.
- VAT has been calculated correctly and is recovered at appropriate intervals.
- The Council at a Council meeting approved each payment.
- Payments have been correctly analysed in preparation of the year-end Statement of Accounts.
- Section 137 payments have been identified in the cashbook and are within the Council's spending limit.

We note that a schedule of payments is prepared and submitted to Council at each monthly meeting with both cheque signatories initialling the schedule and the supporting invoice.

We have confirmed the transactions on the Council's VAT account, with no issues arising. A balance of £337.61 remains to be reclaimed for 2023-24 transactions.

We have discussed with the Clerk the procedures and controls for moving to online banking in place of cheques, as allowed for under Financial Regulation 6.9. Online banking is now common across the vast majority of the Parish Council sector.

Associated with online banking is often the offer of a Debit or Credit Card. Such a facility is also commonly in use across the sector, removing the need for the Clerk to spend their own funds and subsequently seek reimbursement. This procedure is allowed under Financial Regulations 6.18 to 6.20.

Conclusions

There are no issues arising in this area of our review warranting formal 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 and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks identified in order to minimise the opportunity for their coming to fruition.

The Council formally reviews its Governance and Management Risk Register on an annual basis, the last time being at the February 2023 meeting. This meets the requirements of Financial Regulations for at least an annual review.

The Council continues to place its insurance requirements with Hiscox. We have reviewed the content of the schedule and consider that it remains appropriate for the Council's current needs with Employer's and Public Liability cover in place at £10 million each, Officials Indemnity at £500,000 and adequate cover for assets.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

Budgetary Control and Reserves

We note that the Council agreed an appropriate Precept and budget for 2023-24 totalling £21,086 at its meeting in November 2022, which is properly recorded in the Minutes.

At its March 2023 meeting, the Council set its Earmarked Reserves at ££21,370, covering 9 projects. Offsetting this against the year-end cash balance of £32,360 leaves a General Reserve of £10,990, which represents approximately 52% of the agreed Precept against a Best Practice target of 50%. This is an acceptable level of reserves for a Council of this size.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

Review of Income

The Council has relatively limited sources of income in addition to the annual Precept. Income arises primarily from allotment rents, recoverable VAT, bank interest, occasional grants and donations. We have test-checked and agreed a sample of income transactions between the cashbook and bank statements for the financial year.

We note that, at its meeting in August 2022, the Council reviewed Allotment rents and determined not to review them again until September 2024. This meets the requirement for review under Financial Regulation 9.3.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

Petty Cash Account

The Council does not maintain a Petty Cash account. Consequently, there are no issues arising in this area of our review warranting formal comment or recommendation.

Salaries and Wages

In examining the Council's payroll function, we aim to ensure that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HM Revenue and Customs (HMRC) in relation to the deduction and payment over of income tax and NI contributions.

We note that the Clerk (the Council's only employee) is paid on a monthly basis, and that gross pay is properly accounted for to HMRC via the Basic PAYE Tools system. We also note that the Clerk has opted out of the Self-Enrolment Pension Scheme.

We note that NJC have properly been approved by the Council at its April and November 2022 meetings.

We have test-checked salary payments during the year, with no issues arising. We note that the Working from Home Allowance paid to the Clerk does not form a part of the total in Box 4 of the AGAR, which is the correct treatment.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

Asset Register

The Governance and Accountability Manual (GAM) requires all Councils to maintain a record of all assets owned, valued at either original net cost price or, if this is unavailable or the asset was donated, an appropriate valuation which can be a nominal £1.

We believe that the Council's Asset Register meets this requirement. We note that the Council approved its Asset Register in March 2023, following a condition review.

However, we have discussed with the Clerk the brought forward balance from 2021-22 onto the 2022-23 AGAR, which shows a small difference due to a revaluation. The new figure for 2021-22, as shown on the AGAR (Box 9) needs to be clearly recorded as 'Restated', with a simple justification given for reference to the External Auditor.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation, other than our observation about restating the brought forward 2021-22 figure on the 2022-23 AGAR.

Investments and Loans

The Council has no funds in investments, with all funds being held in High Street accounts. The Council has no loans repayable by or to it.

Statement of Accounts and AGAR

With the exception of the comment above about the need to restate the brought forward 2021-22 Assets total (Section 2, Box 9) of the 2022-23 AGAR, and a minor rounding error on the 2022-23 AGAR itself, all of which we have discussed with the Clerk, we have reconciled all the cashbook totals to the AGAR with no issues arising.

On this basis, and based on the satisfactory conclusions reached from our work on the Council's systems of financial control, we have signed off the internal audit report in the AGAR assigning appropriate assurances in each area.

Action Plan

Rec. No.	Recommendation	Response
	No recommendations made	