AUDITING SOLUTIONS LTD

Sutton Veny Parish Council

Internal Audit Report 2022-23

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Consultant

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 format to facilitate prompt completion of our review for the year and sign off of the Internal Audit Certificate in the year's AGAR. We have undertaken sufficient transaction testing to support our assurance as to whether Governance and financial controls are effective.

Internal Audit Approach

In undertaking the review for the year, we have had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts and AGAR. As the Council's Internal Auditor and under the present audit arrangements, we have a duty to complete the internal audit report, as part of the Council's AGAR process, which covers the basic financial systems and requires assurances in a number of areas.

Overall Conclusion

Based on our programme of work, we have concluded that the Council has established and maintained sound systems of governance and internal control during 2022-23. Therefore we have not seen the need to make any formal recommendations this year, although we have made some observations in the report which we would invite Council to consider.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Council maintains its accounting records on a spreadsheet, which is perfectly adequate for a Council of this size. Two bank accounts are maintained with HSBC, with online banking introduced during 2022-23.

Our objective in this area of review is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in the cashbook. We have accordingly: -

- Ensured that the coding structure is appropriate for budgetary purposes, and that annual totals have been properly transferred to the draft 2022-23 AGAR;
- Verified the accurate carry forward of the closing balances for 2021-22 into the 2022-23 cashbook;
- Agreed the balance on the draft 2022-23 AGAR to the bank balance at 31 March 2023.

We note that monthly bank reconciliations are presented to the Council, and are signed by a Councillor who is not the Chair, which meets the requirements of Financial Regulation 2.2.

Conclusions

There are no issues arising in this area of our review 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 and Committee meetings are conducted in accordance with the adopted Standing Orders (SO'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 note that the Council has Standing Orders (SO's) and Financial Regulations (FR's) in place, which were last reviewed by Council in June 2022, and which accord with the NALC Model Forms. The tendering limits in both documents have been set at £10,000.

We have reviewed the Council's Minutes as posted on the website, and have found no issues of concern.

We note that the Council adopted the General Power of Competence (GPoC) in May 2022, which replaces the former reliance on Section 137 of the Local Government Act 1972.

The Council's website shows a good level of compliance with the Transparency Code 2015, with all appropriate reports and documents available for Public download.

Finally, we confirm 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 Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Appropriate documentation supports payments, 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 codes have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We note that payments are approved at each meeting, with full details included in the Minutes. Our sample testing has shown that individual invoices are now signed off by Councillors.

We have test-checked a representative sample of invoices to the cashbook and bank statements, with no issues of concern arising.

We note that VAT is reclaimed from HMRC on an annual basis.

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 to minimise the opportunity for their coming to fruition. We have:

- Examined the Council's current insurance policy with Aviva, noting that appropriate cover is in place for both Employer's and Public Liability cover at £10 Million each, together with Officers Liability at £500,000, all of which we consider appropriate for the Council's present needs. We also note suitable cover for play park equipment, which is the subject of an annual RoSPA review and weekly condition inspections;
- Noted that the Council has reviewed and re-adopted a suitable Risk Assessment at the March 2023 meeting, which meets the regulatory requirement. Given the concerns of Council, we have suggested to the Clerk that a risk be registered with regard to the condition of the churchyard wall, which she will propose to Council in May 2023.

We note that regular inspections of the Council's play park are now undertaken and regularly reported to the Council.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation, other than our observation of enhancing the Risk Assessment.

Budgetary Control & 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 Precepting Authority: 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 and cover any unplanned expenditure that might arise.

We note that, following due deliberation on the Council's budgetary requirements for 2023-24, the Council approved and adopted, at its December 2022 meeting, a Precept of £16,444, which was properly recorded in the Minutes.

We have clarified with the Clerk that the Earmarked Reserves (EMR) total £3,645 as at 31 March 2023, representing £2,780 for a SID, £300 for defibrillators, and £565 for a Jubilee bench. Against the bank balance as at 31 March 2023 of £9,569, this leaves a General Reserve of £5,924, which is 36% of the approved Precept as against a Best Practice level of 50%. We recognise that the Council has maintained discussions on this, and intends to increase EMR's in 2024-25 for Election costs and the possible churchyard wall repairs

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation, other than the observation about the ongoing review of reserves.

Review of Income

We note that, apart from the usual income sources of the Precept, grants, VAT reclaims and bank interest, the Council also maintains and receives income from Allotments.

While we believe the allotment charges are directly linked to the cost of renting the overall land area, we would again advise Council to formally review and minute its fees and charges at least annually, which is a requirement of Financial Regulation 9.3.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation, other than the observation about an annual review of allotment fees.

Petty Cash Account

The Council does not operate a petty cash account. Therefore there are no issues arising in this area of our review warranting formal comment or recommendation

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 Employee Rights Act 1998 and the requirements of HMRC legislation as regards the deduction and payment over of income tax and NI contributions.

We have test-checked payroll transactions for the Clerk during 2022-23, noting that returns are routinely made to HMRC, and that the NJC pay awards have been properly authorised and applied.

Conclusions

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

Investments and Loans

We aim in this area of our review process to ensure that the Council is taking appropriate action to ensure interest earning capabilities are optimised whilst safeguarding the Council's resources. We note that the Council maintains no investments other than its bank accounts.

No loans are in existence either payable by or to the Council.

Conclusions

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

Fixed Asset Register

We note that the Council approved its assets as at 31 March 2023, and approved the Asset Register at its March 2023 meeting.

We believe that this meets the requirements of the Governance and Accountability Manual, showing all assets valued at either original cost price or a nominal £1 if historic costs cannot be identified. However, during our testing we noted an asset purchase for a SID that had not initially been added to the Register, which we have clarified with the Clerk. We understand that a revised Asset Register will be brought to the May 2023 meeting for approval, and that the revised total will be reflected on the 2022-23 AGAR for approval at that meeting.

Conclusions

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

Annual Governance and Accountability Return AGAR)

We have checked and agreed the values to be reported in the 2022-23 AGAR to the underlying year-end financial detail, with no issues arising.

We have duly signed off the Internal Audit Certificate in the 2022-23 AGAR, assigning appropriate assurances in each area.

Rec. No.	Recommendation	Response
	No recommendations made	