

## **Pucklechurch 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 (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 records undertaken in mid-March following collection of the records from the Clerk and, following the year-end closedown, remotely in April 2023. We thank the Clerk for assisting the process, providing all necessary documentation in electronic or hard copy format to facilitate completion of this year's review. We have duly signed-off of the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

## **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 is designed to afford appropriate assurance that the Council has robust financial systems in place that 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 control objectives.

## **Overall Conclusion**

We have concluded that, based on the satisfactory conclusions drawn from our programme of work for the year, the Clerk and Council have again maintained adequate and effective internal control arrangements. Whilst there are no significant concerns arising, we identified one or two areas where action was required on the accounting records prior to the financial year-end: these have been discussed with the Clerk with appropriate action taken before final closedown for the year. Detail of these issues is set out in the body of the following report with resultant recommendations further summarised in the appended Action Plan.

Based on the satisfactory conclusions drawn from our review, we have duly signed-off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

We take this opportunity to draw the Clerk and Council's attention to 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

## Review of Accounting Arrangements & 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. The Clerk records financial transactions in a spreadsheet cashbook with two bank accounts in use with NatWest plc, plus a new account with Unity implemented part way through the financial year. We have: -

- Ensured that an appropriate analysis of receipts and payments exists in the spreadsheet cashbook;
- Ensured the accurate carry forward of the 2021-22 closing balances to the 2022-23 spreadsheet cashbook detail;
- Ensured that the cashbook remains in balance at the financial year-end;
- Checked and agreed the full year's transactions on the NatWest Current and Unity bank accounts to the supporting bank statements;
- Verified the accurate recording of detail on the combined account bank reconciliations throughout the year with no long-standing uncleared cheques in existence at the year-end; and
- Ensured the accurate disclosure of the combined account balances at 31<sup>st</sup> March 2023 in the AGAR at Section 2, Box 8.

In undertaking our pre-year-end review, we noted that the two transfers of funds (£1,000 and £60,000) from the Nat West current account to the newly opened Unity account were recorded appropriately as receipts in the Unity account and payments in the Nat West account cashbook columns in the spreadsheet cashbook: however, they had also been erroneously shown as payments and receipts in the cashbook analysis columns thereby effectively overstating the total value of receipts and payments in the year. As these are purely inter-account transfers, they should not have been regarded as payments or receipts: the Clerk has duly amended the cashbook prior to the year-end closedown. The original entries have been corrected accordingly prior to the year-end closedown.

We also noted that a few cheques drawn in 2021-22 were never deposited in their bank accounts by the recipients. When effectively "cancelling" these payments in the cashbook, they should be recorded as negative payments rather than receipts as was the case when we reviewed the cashbooks prior to the year-end closedown: this treatment effectively overstates both receipts and payments for the year by the value of the cheques initially drawn. We have discussed this with the clerk with appropriate amendments made to the cashbook.

We are also pleased to note that bank reconciliations have been subjected to independent scrutiny and sign-off throughout the year.

### ***Conclusions and recommendations***

***We are pleased to record that no residual concerns arise in this area at the financial year-end.***

*R1. Going forward, as and when the two Nat West accounts are closed down and funds transferred to the Unity account, detail should only be recorded in the relevant cashbook columns affecting the month-end balances and not be analysed as receipts or payments in the detailed analysis columns.*

*R2. Similarly, should the need arise to cancel / write-back uncleared cheques in the cashbooks, they should be recorded as negative payments, not receipts.*

## **Review of Corporate Governance**

Our objective here is to ensure that the Council has robust corporate governance documentation and procedures in place; that Council meetings are conducted in accordance with the adopted Standing Orders (SOs) 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 year to determine as far as we are able as we do not attend meetings whether 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 report that no such matters appear to exist currently.

We note that both the SOs and Financial Regulations (FRs) have again been reviewed and re-adopted at the Council meeting in June 2022, both including appropriate reference to the requirements relating to tendering and compliance with the Public Contract Regulations 2015. In relation to those Regulations, we have advised the Clerk of a further recent revision / update to them clarifying the value at which contracts must be published on the Government's Contract Finder website: the value should now be identified as £30,000 including VAT.

We are again pleased to note that payment detail is submitted to the Council and formally incorporated in the minutes, including detail of payees' names, cheque numbers and the payments due to each.

We are also pleased to note that the external auditors signed-off the 2021-22 AGAR without comment or recommendation and that the Council has published an appropriate Notice of Public Rights in accordance with the requirements of the accounts and Audit Regulations 2015 affording the requisite 30 working days for the public to examine the Council's financial records.

### ***Conclusions and recommendation***

***No significant issues arise in this area this year warranting formal comment or recommendation. We shall continue to consider the effectiveness of the Council's approach to governance issues, also reviewing the minutes of meetings at our future years' reviews.***

## **Review of Expenditure & VAT**

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and approved 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 payments are being reported to Council;
- VAT has been calculated correctly for periodic recovery; and
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount.

We have reviewed the procedures for the approval and processing of trader and other payments and consider them sound with two members examining and initialling / signing-off individual invoices, etc. when signing cheques, etc detail of payments also being presented to Council meetings on a schedule, with each entry also duly initialled.

We have also examined the individual invoices and other supporting payment documentation for the year with all payments appropriately supported with no issues arising.

We note that a single VAT reclaim was prepared and submitted to HMRC for 2021-22, repayment being received in August 2022. Further reclaims have been prepared and submitted in relation to 2022-23 expenditure, the first for the year to 31<sup>st</sup> December 2022, which was repaid in February 2023 and a final reclaim for the year which has been submitted in April 2023.

### ***Conclusions***

***We are pleased to record that no significant issues have been identified in this area warranting formal comment or recommendation this year.***

## **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.

We are pleased to note that a formal Risk Register remains in place and that it has been reviewed and formally re-adopted by the Council at its meeting in May 2022: we have reviewed the resultant document and consider that it remains appropriate for the Council's present requirements.

The Council's insurance cover has again been provided through the Local Council's scheme: we have examined the year's schedule and consider that appropriate cover is in place with Employer's and Public Liability both set at £10 million, together with Fidelity Guarantee cover at £250,000.

### ***Conclusions***

***No issues arise in this area. We shall continue to monitor the Council's approach to governance at future reviews.***

## **Precept Determination and Budgetary Control**

We aim in this review area to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount to be precepted on the parent Council; that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans.

We note that the 2023-24 budget and precept were debated appropriately and approved at the December 2022 full Council meeting with the latter set at £96,896.

We are again pleased to note that the Clerk provides members with detail of the Council's budgetary performance quarterly during the year and have examined the year-end outturn with no significant concerns identified.

We have reviewed the level of reserves retained by the Council, which have increased to £135,000 (£122,040 as at 31<sup>st</sup> March 2022) including earmarked reserves (EMRs) unchanged at £118,770 at the year-end leaving a residual General Fund reserve balance of £16,240 (£3,270 at 31<sup>st</sup> March 2022).

### **Conclusions**

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

## **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, to ensure that income is invoiced, where appropriate, in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council.

To gain assurance that appropriate controls are in place, we have examined income arising from allotment rents, noting that a formal register of tenants is again in place with all rents for 2022-23 received and banked appropriately, a few having been paid in March 2022 and accounted for in that year's AGAR. We note that a similar situation has again arisen with a significant number of the 2023-24 tenant rents being received in March 2023.

Four interments had occurred to the date of our March 2023 review of the Council records: we have examined the underlying paperwork (undertaker applications and the legally required burial / cremation certificates), together with documentation supporting the 6 headstone / additional inscription requests from stonemasons. In each case, we have ensured that the appropriate fees have been received and banked accordingly with no issues arising.

Finally in this review area, we note that cemetery fees were last formally reviewed in August 2019. The adopted Financial Regulations (Para 9.3 refers) require that fees and charges are reviewed annually.

### **Conclusions and recommendation**

*No significant issues arise in this area although, as last year, the annual formal review of fees and charges should be minuted appropriately. As the Council's annual accounts and AGAR are prepared on an income / expenditure basis, where cheque payments are cancelled, they should be recorded as negative payments rather than as receipts in the cashbook.*

*R3. To comply with the adopted Financial Regulations (Para 9.3 refers), fees and charges must be reviewed annually: where no changes are agreed, that decision should be minuted formally.*

## **Petty Cash Account**

*No petty cash account is in operation for 2022-23, following application of the residual cash sum during 2020-21 held at the start of that financial year.*

## 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 requirements of HMRC legislation and the deduction and payment over of income tax and NI contributions. We note that the Council approved an increase in the Clerk's contracted weekly hours to 30 per week at the October 2022 Council meeting. We also note approval for implementation of the 2022-23 national pay award which was actually applied to the December 2022 salary payment together with arrears backdated to 1<sup>st</sup> April 2022. We have consequently: -

- Ensured that the Clerk's monthly gross pay for both November and December 2022 were calculated in accordance with the approved spinal salary scale point and contracted weekly hours including the backdated arrears paid in December;
- Ensured that Income Tax codes and National Insurance Tables are being applied correctly;
- Noted that the Clerk contributes to the NEST pension scheme; and
- Ensured that payments to HMRC and NEST are made appropriately each month.

### Conclusions

*We are pleased to record that the procedures in place for the determination and physical payment of the Clerk's salary continue to operate soundly.*

## Fixed Asset Register

The Practitioner's Guide requires all Councils to maintain a comprehensive register of all assets owned and leased by the Council. We are pleased to note the continued existence of an appropriate register with new computer and play equipment acquired during 2022-23 duly added to the register at net cost. Consequently, the asset value to be reported in the year's AGAR at Section 2, Box 9 has been increased appropriately.

### Conclusions

*No matters of concern have been identified in this review area this year.*

## Investments and Loans

*The Council has no "investments" in place currently, all funds being held in the two NatWest bank accounts. Similarly, there are no loans in place either repayable by, or to the Council. We were pleased to record in last year's report, the development and adoption of a formal Investment Policy, which was duly adopted in April 2021.*

## Statement of Accounts and AGAR

The Accounts and Audit Arrangements require councils to submit their annual Accounts in the form of a summarised financial statement in the AGAR. We are again pleased to note that the Clerk has prepared a more detailed Statement of Accounts for the year adjusting the cashbook values accordingly to reflect the few debtors and creditors existing at the financial year-end, full detail of which is reported accordingly in the detailed Statement of accounts. We have agreed the entries

recorded in the detailed Statement of Accounts to the cashbook values as adjusted by the disclosed year-end debtors and creditors and then transferred to the AGAR at Section 2.

### ***Conclusions***

***On the basis of the satisfactory conclusions drawn from our review programme for the year, we have duly signed off the Internal Audit Certificate in the year's AGAR assigning positive assurances in each relevant area.***



Rec. No.	Recommendation	Response
<b>Review of Payments &amp; VAT</b>		
R1	Going forward, as and when the two Nat West accounts are closed down and funds transferred to the Unity account, detail should only be recorded in the relevant cashbook columns affecting the month-end balances and not be analysed as receipts or payments in the detailed analysis columns.	
R2	Similarly, should the need arise to cancel / write-back uncleared cheques in the cashbooks, they should be recorded as negative payments, not receipts.	
<b>Review of Income</b>		
R4	To comply with the adopted Financial Regulations (Para 9.3 refers), fees and charges must be reviewed annually: where no changes are agreed, that decision should be minuted formally.	