

RLT AUDITING

Specialising in parish councils

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ASTLEY PARISH COUNCIL

INTERNAL AUDIT REPORT FOR FINANCIAL YEAR 2022/3

INTRODUCTION

As the Council's internal auditor, I have independently carried out an examination of areas which meet the internal control objectives as listed on page 4, the Annual Internal Audit Report section, of the Annual Governance and Accounts Return (AGAR) for the year ended 31st March 2023.

I have been able to test the Council's compliance with the assertions on p.4 of the AGAR, referring to best practices as outlined in the JPAG Practitioners' Guide 2022, published March 2022.

I would like to thank Dianne for her assistance.

Should you have any queries with this report please do not hesitate to get in touch.

OVERALL

The standard of administration and system of internal controls relating to the audit areas examined throughout the financial year were considered to be satisfactory. However, there are some areas where I have been unable to give a positive rating. Where this is the case, I have made recommendations of what improvements are needed.

Having completed a comprehensive examination of council records presented to me, I have completed the Annual Internal Audit Report on page 4.

DETAILED FINDINGS & RECOMMENDATIONS

This report takes each of the Internal Audit statements on p.4 of the AGAR in turn and assesses if the council has complied with it. The report outlines the areas covered during the internal audit which support the Annual Internal Audit Report section of the AGAR. Under each section, the report states if it is my opinion, as Internal Auditor, that the control has been met. Recommended areas for attention are highlighted.

A. Appropriate accounting records have been properly kept throughout the financial year?

The primary accounts record is in the form of an Excel Receipts and Payments cashbook. Accounting records were found to be accurate and provided an adequate audit trail. A sufficient analysis of accounting records existed within the cashbook, with items being categorised according to budget categories. The accounting statement provided as at 31/3/2023 corresponded with the cashbook.

Internal control objective met? YES

Recommendations: None.

B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for?

Standing Orders and Financial Regulations were adopted in May 2019 and were not reviewed in the year.

Payments were supported by invoices and there is a clear trail of who authorised the payments as a cover sheet is signed for each payment. The clerk's expenses are supported by itemised receipts and a work from home allowance is paid.

When I initially examined the cashbook VAT was not consistently recorded – the clerk has now updated the cashbook. A VAT reclaim for 2021-2 has been made and paid. The AGAR test, as outlined in JPAG, relates to the VAT return being correct – therefore, I would recommend checking back over 3 years (the VAT 126 claim time limit) to ensure all VAT has been accounted for and claimed

A contract is in place for streetlight maintenance and this is reviewed every 3 years, which is considered appropriate for the scale of the contract.

Payments for the year - £6,063.69

A sample of payments were tested to the cashbook, supporting invoices, bank statements, payroll documentation and council minutes.

The following issues were identified:

- Med UK –VAT not shown in cashbook.
- SC street light energy – VAT not shown in cashbook.

Internal control objective met: YES

Recommendations:

- **Standing Orders and Financial Regulations should ideally be reviewed annually.**
- **Check up to 3 years' VAT 126 returns to ensure all eligible VAT has been reclaimed.**
- **Whilst it does not affect my opinion, the cashbook would be easier to follow if each payment had a ref number e.g. P1-2223, P2-2223 etc. It also would be easier to follow if a summary of expenditure is included e.g. state payee e.g. EON and item e.g. street light maintenance**
- **The ICO offers a discount of £5 on registration fees paid by direct debit – council may want to set up a DD for this – if this is done, it is important to minute continued authorization for use of DDs on an annual basis.**
- **Lloyds allows users to print out a record of approval history and it would be good practice to print this a further record of authorization.**

C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these?

The Risk Assessment is fit for purpose and adequate. However, it has not been reviewed since 2019 therefore there is no evidence council has actively reviewed risks during the year.

Internal control objective met: NO

Recommendations: The Risk Assessment needs to be reviewed annually and when risks change.

D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate?

The Budget and Precept setting process for 2023-4 was carried out in January 2023. A precept of £7,155 was set, plus anticipated VAT refund of £1,000, giving a total budgeted income of £7,255. The expenditure budget set was £8,226.

Reserves - the anticipated general reserves for 2023-24 is £3,641.43. The reserves policy aims to keep 6 months' expenditure in general reserve. The balance would be slightly under 6 months' of planned spend. However, JPAG best practice guidance is to have 3 to 12 months' expenditure in reserve, hence I consider this to be adequate. The reserves policy also provides for reviewing reserves annually.

Budget monitoring has only been done at year end, not during the year.

Internal control objective met? YES

Recommendations:

- **As a minimum, budget reports need to be presented annually. However, I would recommend they are done quarterly.**

E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

Total receipts for the year were £7,201.80.

Receipts comprised of a precept of £7,155.00 (as per the precept request) and a VAT refund of £46.08. I have not seen the precept request form but £7,155.00 does correlate to the January 2022 minutes and the Shropshire Council public record of precepts; I have not seen the precept request form.

Internal control objective met? YES

Recommendations:

- **Please provide the precept request for the year being audited next year.**

F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for?

No petty cash is held.

Internal control objective met? N/A

Recommendations: N/A

G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied

The current clerk has been in post since 1st June 2022 and her contracted hours are 5 per week. During her probationary period she was paid SCP27, £17.58 per hour and from 1st December this increased to SCP28, £18.05 per hour; this is confirmed in the clerk's letter of appointment. Whilst I have seen a letter of appointment, I have not seen a full contract. The salary paid does not match the hourly rates and hours and I calculate there has been an underpayment of £416.13 gross.

PAYE and RTI returns have been completed using HMRC software and tax has been deducted as per the pay slips.

I have not seen payroll paperwork for the locum clerk, who was in post until 1st June 2022 so cannot confirm if the calculations of her salary are correct or if the cashbook record of them correlates to her P45.

The council does not meet the threshold to be required to offer a pension however it still has to follow the requirements of The Pensions Regulator – the pension re-declaration of compliance has not been completed.

Internal control objective met: NO

Recommendations:

- **The discrepancy between salary paid and the agreed rate of pay needs to be reviewed. I have provided the clerk with a spreadsheet showing why I believe it to be incorrect.**
- **Pension auto-enrolment procedures need to be completed (i.e. re-declaration of compliance)**
- **Check locum clerk salary was correct- I can assist with this if needed.**

H. Asset and investments registers were complete and accurate and properly maintained.

The Council's fixed asset register/inventory was examined. The asset register was updated in the year.

The Council's insurance policy, provided by Zurich commenced on 1st June 2022, cover having been continuously in place prior. The policy expires on 31st May 2023. The level of cover appears to be adequate for the value of the assets on the register; the policy is all risks. Therefore, in stating it is adequate, I am assuming that the categories of cover on the policy cover the type of assets the council holds; it is hard to confirm this without a breakdown of items and exactly what the insurance classes as furniture etc.

Internal control objective met: YES

Recommendations: None.

I. Periodic and year-end bank account reconciliations were properly carried out.

The presented year-end bank reconciliation has been independently agreed by the Auditor, the reconciled balance being £9,720.77 as at 31.3.2023. The clerk informs me that throughout the year, she has regularly reported bank reconciliations to Council. However, there is no record of Council approving the reconciliations.

Internal control objective met? NO

Recommendations:

- **Prepare bank reconciliations and include them in the minutes and keep evidence of councillors checking them e.g. signing them, initialling bank statements.**
- **Quarterly reconciliations would be adequate but monthly is fine too.**

J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.

The AGAR, Statement of Accounts has been correctly compiled on a receipts and payments basis based on the cashbook, supported by underlying records such as invoices and remittance advice slips.

Internal control objective met? YES

Recommendations: None.

K. If the authority certified itself as exempt from a limited assurance review in 2021/2, it met the exemption criteria and correctly declared itself exempt?

The Council fully met the exemption criteria, which included having annual gross income and annual gross expenditure values each below £25,000. Council resolved to approve the certificate at the May 2022 meeting; the AGAR and related paperwork were also approved at the May 2022 meeting.

Internal control objective met? YES

Recommendations: None.

L. The authority publishes information on a website/webpage, up to date at the time of the internal audit, in accordance with the Transparency Code for Smaller Authorities

The Transparency Code for Smaller Authorities states that by no later than 1st July in the year to which it relates the authority must publish:

- Details of all items of expenditure over £100
- End of year accounts:
 - Bank reconciliation for the relevant financial year,
 - An explanation of any significant variances (e.g. more than 10-15 percent) in the statement of accounts for the relevant year and previous year
 - An explanation of any differences between ‘balances carried forward’ and ‘total cash and short term investments’, if applicable
- Annual Governance Statement;
- Annual Internal Audit Report;
- List of councillor responsibilities e.g. committees and outside bodies they sit on;
- Location of public land and building assets.
- Minutes, agendas and papers of formal meetings (publish agendas within required clear days and draft minutes within 30 days of meeting)

I noted the following:

- Councillors are listed but no membership of committees and representation of the council on outside bodies is stated on the website e.g. Helicopter Noise Liaison Group, SALC Area Committee. However, the May 2022 minutes do record who was appointed to sit on outside committees. Therefore, the AGAR test is met as the info is published online but the information is not easy to find.

Internal control objective met: YES

Recommendations:

- **Update councillors' page to add roles.**

M. The authority, during the previous year (2021-2) correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations

The authority did prepare a notice of exercise of public rights and published it online.

Internal control objective met: YES

Recommendations: None.

N. The authority has complied with the publication requirements for the 2021/2 AGAR?

The following documents were published online:

- Certificate of Exemption
- Annual Internal Audit Report
- Section 1 AGAR – Annual Governance Statement
- Section 2 AGAR – Accounts Statement

Internal control objective met: YES

Recommendations: None.

O. Trust funds (including charitable) – The council met its responsibilities as a trustee?

To the best of my knowledge, the Council does not act as a sole trustee for managing a Trust fund or asset.

Other

The website is not very easy to navigate e.g. the minutes section does not include this year's minutes – these are under parish council documents. Multiple minutes file are draft minutes. A sample review of Council meeting minutes established that the Council was quorate when it met.

I note the parish council has not adopted the new model Code of Conduct. I would suggest that any risks of not adopting the new model code are recorded in the updated Risk Assessment.