
Great Bedwyn Parish Council

Internal Audit Report 2022-23

Chris Hall

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 both the Clerk and the Responsible Financial Officer (RFO) for assisting the process, providing all required documentation in electronic 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 in order to support our view as to whether governance and financial controls remain effective.

Internal Audit Approach

In undertaking our review this year we have, as in prior years, had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts. In view of the volume of annual transactions we have again undertaken an appropriate level of substantive testing of receipts and payments for the financial year, verifying detail to such underlying documentation as is available.

This report summarises our conclusions on each of the key areas set out in the Internal Audit Report that is required under the Annual Return arrangements. Issues requiring attention have been further summarised into an Action Plan at the end of the report. We ask that the Council consider this Report, and respond to it in due course.

Overall Conclusion

While we feel that the Council has maintained reasonably effective control systems throughout the year, we have identified a number of issues where we feel controls can be enhanced. While these issues are not severe enough to warrant formal recommendations, we would invite the Council to consider our observations carefully.

On the basis of work undertaken on the Council's records this year, we have signed off the Internal Audit Certificate in the Annual Return assigning appropriate assurances to all the required assertions. We note one negative assurance with regard to the Asset Register, which we detail in this report.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The RFO records the Council's accounting transactions using an Excel spreadsheet with separate worksheets used to record receipts and payments, which is entirely appropriate for a Council of this size. Two bank accounts are in use with TSB (Business and Savings), with a further account opened with Unity Trust during the year for electronic transactions.

We note that the cashbook contains appropriate analysis to assist in production of both a detailed year-end Statement of Accounts and the Annual Return information at AGAR Section 2, together with periodic budget performance information for presentation to Councillors.

We note that bank balances are reported to each meeting of the Council, and regular bank reconciliations are in evidence in the cashbook. We again make the observation about the importance of ensuring that bank reconciliations are checked by an independent Councillor in accordance with Financial Regulation (FR) 2.2, and duly minuted.

Conclusions

No issues arise in this area warranting formal comment or recommendation, apart from our observation about a periodic independent check of bank reconciliations in accordance with FR 2.2, which should be appropriately minuted.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place specifically that Council and, where applicable, Committee meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We also aim to ensure that appropriate policies, procedures and protocols are in place to prevent and provide a reasonable assurance of the detection of any fraudulent or corrupt activity.

We have reviewed the Council's Minutes for meetings held in the financial year to determine whether or not any issues exist or may be developing that might have an adverse effect on the Council's future financial stability, whilst also ensuring that no decisions have been made or are being considered that might result in ultra vires expenditure being incurred.

We note that both Standing Orders (SO's) and Financial Regulations (FR's) were approved at the May 2022 Council meeting. A further review of SO's was undertaken in November 2022 to address the inconsistency over tendering levels which we identified in our 2021-22 report. However, we record that the revised SO's were not uploaded to the Council's website until we raised a query during this year's audit review.

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.

With regard to compliance with the Transparency Code 2015, when we commenced our audit we found that appropriate information with regard to 2021-22 and 2022-23 to date had not been uploaded to the website. We discussed this with the Clerk, who initially took the view that the Council's accounts fell in the gap between the Smaller Code (up to £25,000) and the Main Code (above £200,000). We are pleased to record that the Clerk has now placed information sufficient to meet the requirements of the Smaller Code on the website, which we believe is appropriate in a spirit of Open Government for the benefit of parishioners.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

Review of Payments and VAT

We have test-checked a representative sample of payments during the year to reasonably determine whether the following criteria have been 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 has 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 Councillors are commonly initialling the approved invoices, and that all payments are recorded in the Minutes which are published on the Council's website.

We are still concerned to note, however, that some large-scale urgent purchases have been made by Councillors and the Clerk, which have been subsequently reimbursed. As well as effectively subsidising the Council, this raises the risk that VAT may not be legally reclaimable if the invoice is not clearly made out to the Council. We still feel that an appropriate Debit or Credit card should be established for such expenditure, which is a facility provided by Unity Trust Bank, noting that this was agreed in principle by the Council in March 2023.

We note that a single VAT reclaim was made during the year, for the previous year's balance. A balance of £2,272.69 remains to be reclaimed for 2022-23.

We have reviewed the Council's expenditure against Section 137 of the Local Government Act 1972. Initially this was recorded as zero for 2022-23. However, on querying this, the RFO recast the cashbook to show a revised total of £2,676.60, which we confirm is within the legal limit.

Conclusions

No issues arise in this area warranting formal comment or recommendation, other than our ongoing concern about purchases being made by individuals on behalf of the Council.

Assessment and Management of Risk

We note that the Council reviewed its Risk Assessments in May and July 2022, which meets the requirements of Financial Regulations for at least an annual review.

The Council's insurance cover is arranged with Zurich Municipal. We have reviewed the renewal schedule noting that Employer's and Public Liability cover are each in place at £10 Million respectively and Fidelity Guarantee cover at £100,000.

We note that play areas are now being inspected on a periodic basis, in addition to the annual RoSPA inspection, and the results are reported to Council.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

Budgetary Control and Reserves

The Council's Minutes for January 2023 show that the Council formally considered and agreed the 2023-24 Precept at £28,000.

We note that Council Policy is to maintain its General Reserve at 50% of the Precept, which meets best practice. We have agreed the level of Earmarked Reserves as £81,296 at 31 March 2023 with the RFO which, when offset against the final cash balance at 31 March 2023 of £94,689, leaves a General Reserve of £13,393, which represents 47.8% of the Precept, which we believe satisfies the Council's Policy.

We note the Council receives regular finance reports and monitors its spending during the year.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

Review of Income

The Council receives, in addition to the annual Precept, income from allotment rents, small amounts of bank interest, VAT refunds and occasional grants and donations. These are fully detailed in the cashbook. We have followed a representative sample of such receipts through the records, with no issues arising.

Further to our observation in our 2021-22 report, we can again see no evidence in the Minutes that the Council has reviewed its fees and charges for allotment rents during 2022-23, which is an annual requirement of FR9.3.

Conclusions

No issues arise in this area warranting formal comment or recommendation, other than our observation about the lack of a fees and charges review for the last 2 years.

Petty Cash Account

The Council does not operate a petty cash account. Therefore, no issues arise in this area warranting formal comment or recommendation.

Salaries and Wages

The Council has two directly-employed members of staff, being the Clerk and the RFO. Payroll preparation and management is outsourced to an external contractor, DCK Accounting. We have test-checked the system to confirm that the pay for both Officers has been properly calculated, with statutory deductions reported and paid over to HMRC.

We have discussed with the Clerk and the RFO the employment status of the Handyman and the Climate Officer, who are paid on an hourly rate basis but via invoices rather than the approved payroll system. We have been shown some evidence that these persons are registered with HMRC for self assessment. However we are concerned that, should these persons fail to properly declare their earnings for tax purposes, the Council could be found liable for unpaid income tax, along with punitive penalties. This risk could be allayed by placing these persons on the payroll, and deducting income tax at source which they would then be able to reclaim if appropriate.

We note that the two NJC pay awards announced during the year have been properly approved and applied by the Council.

Conclusions

No issues arise in this area warranting formal comment or recommendation, other than our concern about the taxable status of non-payroll staff.

Asset Registers

The Governance and Accountability Manual (GAM) requires all councils to maintain a record of all assets owned. These need to be valued at net cost or, where this cannot be identified, using a suitable valuation method that can be a nominal £1.

During our audit we found some issues with the Asset Register, which did not initially agree to the cashbook entries. This has subsequently been recast by the RFO. However, we note one entry (the Allotment Gate) which includes a figure of £135 for delivery, which is not regarded as an asset under GAM. Therefore, the total on the Asset Register, and Section 2, Box 9 of the draft 2022-23 AGAR, should be reduced to £62,351.

Conclusions

No issues arise in this area warranting a formal recommendation, apart from our identification of a required restatement of the Asset valuation in the 2022-23 AGAR.

Investments and Loans

The Council does not hold any long-term investments or loans warranting disclosure in the Annual Return.

Statement of Accounts and Annual Return

The Accounts and Audit Regulations require all councils to prepare annually a Statement of Accounts, which is now in the form of the Annual Governance and Accountability Return at Section 2, which is, together with the Annual Governance Statement at Section 1, subject to independent external audit examination and certification.

We have agreed the draft accounts summarised in Section 2 of the Annual Return to the underlying records, with the exception of the required amendment to the Fixed Asset total in Section 2, Box 9, as detailed above, which we are required to note as a negative in our AGAR report.

Conclusion

We have duly signed-off the Internal Audit Certificate in the 2022-23 Annual Return assigning appropriate assurances in each relevant area.

Action Plan

Rec. No.	Recommendation	Response
No recommendations made.		