
Woodborough 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 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 and the Responsible Financial Officer for assisting the process, providing all necessary 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 a level of testing sufficient 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 again 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 a number of internal control objectives.

Overall Conclusion

We have concluded that, based on the programme of work undertaken this year, the Council has continued to maintain adequate and effective internal control arrangements throughout 2022-23 appropriate to a small Parish. While we have not seen the need to make any formal recommendations, we have made a number of observations throughout this report, particularly concerning necessary corrections to the Accounting Statement in the 2022-23 AGAR, and the correct treatment of Section 137 payments. We would again invite Council to carefully consider such observations, and to take the appropriate actions.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Responsible Financial Officer (RFO, who is also the Vice Chair) maintains the Council's accounting records on a spreadsheet, which provides sufficient detail to ensure suitable analysis is available for production of the Accounts and AGAR. One current account at Lloyds Bank is operated for all regular receipts and payments, together with a deposit account, also with Lloyds Bank, for excess funds and Reserves. The closing balances on these accounts are duly incorporated into the year-end accounts.

Bank balances are regularly reviewed at Council meetings. A minor error in the reconciliation as at 31 March 2023 has been identified during this review and discussed with the RFO (see below).

While it is unusual to find a Councillor maintaining the financial records, we have received assurances that this practice has been in place for many years, and there is sufficient internal control by the Council as a whole to ensure the integrity of the Accounts.

Conclusions

No issues arise in this area of review warranting formal comment or recommendation, other than a necessary correction to the bank balance as at 31 March 2023 to be recorded on the AGAR (see below).

Review of Corporate Governance

Our objective is to ensure that the Council has a robust regulatory framework in place; that Council and any Committee meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are able to reasonably ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We have: -

- Examined the Council's minutes for the financial year to ensure that no issues affecting the Council's financial stability either in the short, medium or long term exist, also that no legal issues are in existence whereby the Council may either be considering or have taken decisions that might result in *ultra vires* expenditure being incurred;
- Noted that Standing Orders (SOs) have not been reviewed since July 2020. Financial Regulations (FRs) were reviewed at the December 2022 Council meeting;
- Noted that the £5,000 level for formal tender action previously agreed is correctly shown in SO18a(v), but left at the NALC default of £25,000 in FR11.1h, which needs to be reduced to the approved £5,000; and
- Reviewed the Council's compliance with the Transparency Code for Smaller Authorities, which became mandatory in 2015. We are pleased to note that the Council's website shows a good level of current and historical data that meets the statutory requirement in full.

Conclusions

No issues arise in this area of review warranting formal comment or recommendation, other than the need to change the tendering level in Financial Regulations.

Review of Payments

We seek to ensure that the following criteria are 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; and
- Section 137 payments have been identified in the cashbook and are within the Council's spending limit.

Based on testing in previous years, and the generally low level of transactions (which we have matched between Council approvals and the bank statements) we are generally confident that these requirements have been met.

We note, however, that during 2022-23 the Council exceeded the statutory level of expenditure with regard to Section 137 of the Local Government Act 1972 (S137). This was due to two exceptional purchases - a defibrillator, and village fireworks for the Queen's Jubilee. We have discussed with the RFO the need for a more appropriate coding structure in the accounts, to reduce the reliance on S137, which should be regarded as an emergency heading if no other legal power can be determined.

We note that a VAT reclaim was made during the year, and that a small balance (£73.08, representing VAT on three March 2023 invoices) remains to be reclaimed in 2023-24.

Conclusions

No issues arise in this area of review warranting formal comment or recommendation, other than our concern about more appropriate coding of expenditure currently allocated to S137.

Assessment and Management of Risk

The Council was due to review its Risk Register at the March 2023 meeting, which was unfortunately postponed until May 2023. While this is a technical breach of the requirement in FR's for a review during the year, we do not believe that this is a material failing.

Insurance cover continues in place throughout 2022-23 with Zurich Municipal, with Public Liability and Employers Liability set at £10 Million, and other covers appropriate to a Council of this size.

Conclusions

No issues arise in this area of review warranting formal comment or recommendation, other than the need to ensure that a further Risk Register review is undertaken before 31 March 2024.

Budgetary Control and Reserves

The Council formally approved a 2023-24 Budget at its December 2022 meeting, setting the Precept at £9,500.

As at 31 March 2023, the Council has identified three Earmarked Reserves (EMR's) totalling £11,400. When deducted from the year-end bank balance of £17,611 (further detailed below) this leaves a General Reserve of £6,211, which represents 65% of the Precept against a Best Practice figure of 50%. This is an acceptable level.

Conclusions

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

Review of Income

The Council only received limited income during the year, primarily from the Precept, a single VAT reclaim, a small amount of bank interest and two small grants. We have reviewed the recording of such transactions in the cashbook and to underlying records with no issues arising.

We note that Hall hire charges were reviewed in February 2023, which satisfies the requirement in FR9.3 for at least an annual review.

Conclusions

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

Petty Cash Account

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

Review of Staff Salaries

We note that the Clerk is still paid a monthly fixed figure, which is correctly recorded in the accounts.

We note that the management of payroll continues to be outsourced to an independent service provider.

Conclusions

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

Asset Registers

The Council continues to maintain an Asset Register, which contains a description and photograph of all Council assets. The recorded value in the AGAR has remained unchanged for some years. Given the low overall value of assets identified, we believe this Register meets the requirements of Government Accounting.

Conclusions

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

Investments and Loans

The Council does not have any specific investments in place nor does it have any loans repayable either to or by it. Therefore, no issues arise in this area of review warranting formal comment or recommendation.

Statement of Accounts and AGAR

We have examined the detailed Statement of Accounts and AGAR prepared by the Responsible Financial Officer, which was approved by the Council on 18 May 2023.

During our testing, we have noted some incorrect totals in Section 2 (Accounting Statements) of the 2022/23 AGAR, which we have agreed with the RFO. The necessary restatements are:

- Box 3: revised total £1,794, representing the addition of bank interest (£33.10) and a small calculation error;
- Boxes 7 & 8: revised total £17,611, to agree to the bank balances at 31 March 2023.

As the AGAR has now been approved by the Council, the necessary changes can either be approved at an emergency meeting of the Council before 30 June 2023 (the statutory deadline) or, if deemed immaterial, left until the 2023-24 AGAR when the 2022-23 totals can be clearly marked as 'Restated'.

Conclusions

Based on our work this year, we have duly signed off the Internal Audit Report in the year's AGAR assigning appropriate assurances in each relevant area.

Rec. No.	Recommendation	Response
<hr/> <p>No recommendations made.</p>		