

Newtown Parish Council

Internal Audit Report 2022-23

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*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 Annual Governance and Accountability Return (AGAR).

We have undertaken our review for the year remotely: we wish to thank the Clerk for assisting in the process, providing all necessary documentation in electronic format to facilitate completion of our review for the year and sign off the Internal Audit Certificate in the year's AGAR.

This report sets out the work undertaken in relation to the 2022-23 financial year and was carried out in our office on 27/04/2023.

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, as applied to all clients, is designed to afford appropriate assurance that the Council's financial systems are 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 several internal control objectives.

Overall Conclusion

We have concluded that, based on the programme of work undertaken during our audit this year, the Council maintains more than adequate and effective internal control arrangements. We are pleased to acknowledge the quality of records maintained by the Clerk and thank her for her assistance, which has ensured the smooth progress of our review process.

We have completed and signed the 'Annual Internal Audit Report' in the year's AGAR, having concluded that, in all significant respects, the control objectives set out in that report were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Clerk has continued to maintain the Council's accounting records using an excel spreadsheet with suitable columnar analysis, which we consider perfectly adequate for the needs of the Council given the low volume of annual transactions. The Council funds continue to be held in three bank accounts with Lloyds Bank.

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. To that end, we have: -

- Agreed the opening balance detailed in the excel spreadsheet with that in the 2021-22 Statement of Accounts and certified AGAR.
- Ensured that a full spreadsheet analysis structure is in place and is appropriate for purpose.
- Checked and agreed transactions (both receipts and payments) in the Council's spreadsheet for all accounts to the relevant bank statements for the full financial year.
- Noted that regular bank reconciliations and statements are prepared and presented to members at all council meetings and initialled by the Chairman.
- Verified detail on the combined three bank accounts' reconciliations as of 31st March 2023. to ensure that no long-standing uncleared cheques or other anomalous entries exist.
- Ensured the accurate disclosure of the combined bank account balances as of 31st March 2023 in the year's AGAR.

Conclusions

We are pleased to report that there are no issues arising in this area of our review warranting formal comment or recommendation. We have ensured the accuracy of the closing balances declared in the AGAR.

Review of Corporate Governance

Our objective is to ensure that the Council has a robust regulatory framework in place; that Council meetings are conducted in accordance with the adopted Standing Orders and that, as far as we can ascertain (as we do not attend Council or Committee meetings), no actions of a potentially unlawful nature have been or are being considered for implementation. We have in this regard: -

- Noted that Standing Orders were adopted by the Council at their meeting held on 27th March 2023 minute ref. 98 (c).
- Further noted that Financial Regulations were updated and adopted at the meeting held on 27th March 2023 minute ref. 98 (d).
- Examined the minutes of meetings of the Full Council for the year to identify whether any issues arise that may have an adverse effect on the Council's future financial stability with no issues arising.

Conclusions

We are pleased to report that there are no issues arising in this area of our review warranting formal comment or recommendation.

Review of Payments & 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 discounts due on goods and services supplied are identified and appropriate action taken to secure the discount.
- An official order was placed for all goods and services where appropriate when not covered by contracts or similar agreements, such as utility bills.
- The correct expense category has been applied to invoices when processed.
- All payments have been reported to Council; and
- VAT has been appropriately identified and coded to the control account for periodic recovery and that reclaims have been submitted accordingly in the year to date.

We have reviewed the procedures in place for the receipt, processing, and approval of payments for work undertaken on behalf of the Council and supplies received and have examined a sample of payments totalling £14,548.08 throughout the year for compliance with the above criteria, with no issues arising.

Conclusions

We are pleased to report that 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 identified and to minimise the opportunity for their coming to fruition. We have:

- Noted that Council approved their Risk Assessment at their meeting on 27th March 2023 minute ref.98 (d).
- Examined the Council's current insurance policy with Zurich Insurance with cover being provided to 31st May 2023, to ensure that appropriate cover is in place, noting that Public and Employers Liability cover is £12m and £10m respectively and that Fidelity Guarantee cover is £250k.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

Budgetary Control and Reserves

We aim in this area of our work 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 District 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. To meet this objective, we have:

- Noted from our review of the minutes that members continue to be provided with regular management accounting information; income, expenditure, and reserves summaries are being received at each meeting.
- Noted that a detailed budget exercise was undertaken and approved by Council at their meeting on 28th November 2023; the value of the precept was also approved for 2023-24 at a level of £6,000 minute ref. 60 (b), this represents no change from the 2022-23 financial year.
- Considered the appropriateness of the level of General Reserves to meet the Council's ongoing revenue spending requirements, noting that reserves at the year-end total £15,897. Of this £10,494 are earmarked leaving a general reserve balance of £5,403. This equates to 3 months of average revenue expenditure and is just within the guidelines of 3 to 6 months.
- Reviewed the year-end budget outturn for any significant unexplained variances with none in evidence.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

Review of Income

The Council receives, in addition to the annual precept, sundry income from the sale of firewood, grants and donations, together with bank interest and recoverable VAT. We have checked and agreed income received, as recorded in the cashbook, to the bank statements and other supporting documentation. On 31st March 2023 the Council due a repayment of VAT from HMRC totalling £2,339.53.

Conclusion

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

Petty Cash Account

The Council does not operate a petty cash account, all miscellaneous expenses incurred by the Clerk being reimbursed periodically on submission of an appropriately supported reclaim.

Conclusion

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

Salaries and Wages

In examining the Council's payroll function, we aim to confirm that existing legislation is being appropriately observed as regards adherence to the requirements of HMRC regarding the deduction and payment over of income tax and NI contributions. To meet this objective, we have:

- Reviewed the Council's payroll preparation procedures noting that salaries are calculated by the Clerk utilising the HMR&C PAYE Tools software.
- Checked to ensure that the Council has reviewed and approved appropriate pay scales for staff agreeing the salaries in respect of the year under review. We are pleased to note that query regarding the Clerk's SCP reported in our 2021-22 Audit Report has now been resolved.
- Checked and agreed the amounts paid to individuals by reference to the approved pay rates, examining the payments made in the 2022-23.
- Ensured that PAYE & NIC deductions have been made accurately in respect of employee salaries by reference to the HMRC Basic PAYE Tools software; and,
- Ensured that the appropriate month's deductions and contributions have been paid over to HMR&C in a timely manner.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

Asset Registers

The Governance and Accountability Manual requires that all Councils develop and maintain a register of assets identifying detail of all land, buildings, vehicles, furniture, and equipment owned by the Council.

We are pleased to note that a formal asset register is in place on an excel spreadsheet. This has been updated with additions of a speed limiter sign and disposal of a bus stop and speed limiter sign. This has resulted in in a nett reduction of £3,652 in the asset register in the 2022-23 financial year.

Conclusions

We are pleased to report that there are no issues arising in this area of our review warranting formal comment or recommendation. We have ensured the accurate disclosure of Assets in the AGAR.

Investments and Loans

Our objectives here are to ensure that the Council is “investing” surplus funds, be they held temporarily or on a longer term basis in appropriate banking and investment accounts; that an appropriate investment policy is in place; that the Council is obtaining the best rate of return on any such investments made; that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

We have confirmed that the Council holds no long-term investments requiring disclosure in the Statement of Accounts, nor are there any loans either to or from external bodies in existence.

Conclusion

We are pleased to report that no issues have been identified in this area of our review warranting formal comment or recommendation.

Statement of Accounts and AGAR

The 1996 Accounts and Audit Regulations required all Councils to prepare annually a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council’s financial affairs.

We have reviewed the AGAR detail prepared by the Clerk, as generated from the Excel spreadsheet with no obvious errors or anomalies in the detailed content.

Conclusions

No issues have been identified in relation to the verification of detail in the Statement of Accounts and AGAR this year.

Based on our detailed work during the year on the Council’s systems of financial control and content of the detailed Statement of Accounts and that summarised detail set out in the AGAR, we have signed off the Internal Audit Report of the AGAR assigning positive assurances in each relevant area.