

Marden Parish Council

Internal Audit Report 2022-23 (Final update)

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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 during our two review visits for the 2022-23 financial year, which took place on 14th October 2022 and 23rd March 2023, together with a final remote review undertaken on 19th April 2023 following closedown of the accounts. We thank the Clerk for her assistance, providing all necessary documentation in either electronic or hard copy format to facilitate our review for the year.

Internal Audit Approach

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, as usual, 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 IA Certificate in the Council's AGAR, which requires independent assurance over several internal control objectives.

Overall Conclusion

We are again pleased to conclude that, based on the work undertaken this year, the Clerk & Council continue to maintain adequate and effective internal control arrangements with only a few relatively minor issues requiring action identified, detail of which is set out in the following report with the resultant recommendations summarised in the appended Action Plan, together with responses to those matters raised at our interim review. We are again 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 duly completed and signed the IA Certificate 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 and meet regulatory requirements.

We draw the Clerk'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

Maintenance of Accounting Records & Bank Reconciliations

The Council uses the Rialtas Alpha software to maintain its accounting records with four bank accounts in use. Current and Deposit accounts exist with NatWest with a daily sweep facility between the two, together with Santander and Unity Trust bank accounts, the last now being used for the main transactions which are generally processed online: the NatWest account is still used to pay previously existing direct debit and standing order transactions and occasional cheques.

Our objective here is to ensure that accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. We have: -

- Agreed the opening Alpha software trial balance detail with that in the 2021-22 Statement of Accounts and certified AGAR;
- Verified that the financial ledger remains in balance at the financial year-end;
- Ensured that the cost and expenditure coding structure remain appropriate for purpose;
- Checked and agreed detail of all transactions for the full financial year in view of their relatively low volume, in all cashbooks;
- Verified the accuracy of bank reconciliation detail on all accounts at 30th April and September 2022, plus 28th February and 31st March 2023; and
- Ensured the accurate disclosure of the combined cash and bank balances in the year's AGAR at Section 2, Box 8.

Conclusions and recommendation

We are pleased to record that no significant issues have been identified in this review area, although we have discussed with the Clerk a suggested enhancement to the exiting bank reconciliation review process suggesting that the Trial Balance should be printed off at each month-end when the bank reconciliation is completed. The reviewing member should then not only sign-off the reconciliation, but should also sign-off the Trial Balance (TB) print and month-end bank statements thereby confirming their review and agreement of values recorded in the reconciliation statement detail. Using the TB will then only require members to review and sign-off one reconciliation statement rather than four.

R1. As indicated in the body of the report, when completing the month-end bank reconciliations, the Alpha Trial Balance at that time should be printed-off and, together with the month-end bank statement, be signed-off by the reviewing councillor as evidence of their review and agreement of detail to the reconciliation: all documents should be retained for audit examination. Appropriate procedures have been implemented to address this recommendation.

Review of Corporate Governance

Our objective here is to ensure that the Council has robust corporate governance documentation and processes in place, and that, as far as we may reasonably be expected to ascertain as we do not attend Council or Committee meetings, all meetings are conducted in accordance with the

adopted Standing Orders (SOs) and no actions of a potentially unlawful nature have been or are being considered for implementation.

We have noted previously that the Standing Orders (SOs) were reviewed and re-adopted at the December 2019 Council meeting with the Financial Regulations (FRs) also revised and brought into line with the latest NALC model document being adopted in September 2019. We take this opportunity to advise the Clerk and Council of a recent revision to the Public Contract Regulations clarifying the value at which contracts must be published on the above website: the value is now clarified as £30,000 including VAT: consequently, we urge that the wording in both the SOs and FRs be amended accordingly in this respect.

We have reviewed Council and Standing Committee minutes, as posted on the Council's website, and provided electronically by the Clerk (HR Committee) for the year, excluding those relating to planning issues, to ensure that no actions have been taken or are being considered that might result in unlawful activity or expense being incurred by the Council.

We also note that the 2021-22 AGAR has been signed off by the external auditors without recommendation or comment and that the Council has complied with the disclosure requirements as regards publishing the required Notice of Public Rights to examine the Council's financial records for the requisite 30 working days.

Conclusions

We are pleased to record that no issues have arisen in this area of our review process warranting formal comment or recommendation at the present time: we shall continue to consider the Council's approach to Corporate Governance issues at next year's review.

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and 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
- Members are provided with full details of all payments made at meetings as appropriate and that they are formally verifying the supporting invoices accordingly
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount
- The correct expense codes have been applied to invoices when processed. and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We are pleased to note that purchase invoices and other documentation supporting payments are subjected to member scrutiny with an appropriately designed certification stamp placed on each and duly completed and signed off by two members.

We have examined a sample of 51 payments made during the year, selecting all those non-salary related transactions in the NatWest and Unity Trust accounts in excess of £500 plus a more

random sample of every 25th transaction to ensure compliance with the above criteria. Our test sample totals £59,440 equating to 69% by value of non-salary related expenditure in the year with all the above criteria met.

We note that the 2021-22 VAT reclaim was submitted and repaid by HMRC on 10th May 2022, also noting submission and repayment of reclaim for 2022-23 to 31st December 2022 - repaid by HMRC on 27th January 2023 and to 31st March 2023 as yet unrepaired.: we have agreed detail of these reclaims to the underlying Alpha control account.

Conclusions

We are pleased to report that no issues arise in this review 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 in order to minimise the opportunity for their coming to fruition.

We have examined the Council's current insurance policy schedule with Hiscox to ensure that appropriate cover is in place, noting that Public and Employer's Liability cover both stand at £10 million, together with Fidelity Guarantee cover at £500,000, all of which we consider more than adequate to meet the present needs of the Council.

We noted in last year's final report that the Council's Financial Risk Assessment was reviewed and re-adopted by the Council at the March 2022 meeting also noting the existence of a very comprehensive file of other service delivery specific risk assessments which are also subject to periodic review and re-adoption. We note that, due to an oversight, the document has not been presented to Council for re-adoption until the April 2023 meeting, although it was reviewed and updated (where necessary) prior to the financial year-end by the Clerk.

We also noted from our examination of risk documentation that, with the approval of Insurers, detailed health and safety inspections in accordance with RoSPA guidelines are undertaken at the Council's play areas fortnightly, also noting that the results of these inspections are reported to members with any necessary appropriate action taken to address issues identified.

Conclusions

We are pleased to report that no issues have been identified in this review area warranting formal comment or recommendation, although we remind the Council that the Governance and Accountability Manual – The Practitioner's Guide requires the risk registers to be reviewed and adopted at least once annually. We have taken a pragmatic view on the position in relation to the formal re-adoption of the financial risk register as regards the IA Certificate in the year's AGAR and assigned a positive assurance on the basis that the document was actually reviewed and updated appropriately during the course of the financial year.

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 MBC; 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, following due deliberation, members agreed the required budget and precept for 2023-24 setting and formally adopting the latter at £175,564.60 in January 2023.

We are again pleased to note that members continue to be provided with detail of monthly transactions, detail of bank balances and budget performance reports based on the Alpha accounting software throughout the course of the year. We have reviewed the year-end outturn obtaining appropriate explanations for the few potentially significant variances existing by reference to the detailed transaction reports in Alpha and minutes approving budget variances.

In examining the cashbooks and detailed nominal account transactions for the year, we noted at our interim review a few instances (EDF refund received and reimbursement of overpaid cemetery fees) that have erroneously been coded to income and expenditure codes respectively. As these are purely “refunds” they should be coded as contras to the original codes: we have discussed this with the clerk with appropriate action taken to recode the entries prior to the year-end closedown.

We have reviewed the level of retained funds at the year-end, assessing their adequacy to meet the Council’s ongoing revenue spending requirements. As at 31st March 2023, total reserves have increased to £103,080 (£99,940 as at 31st March 2022) comprising earmarked reserves totalling £498890 with the General Reserve standing at £53,200 equating to marginally in excess of 3 months’ revenue spending at the 2022-23 level.

Conclusions

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

Conclusions and recommendation

We are pleased to record that no significant issues arise in this area this year.

R2. Where refunds of either previously recorded expenditure or income arise, they should be coded as contras to the original code in the Alpha accounts. Similarly, the “Square” transactions should be recorded in the cashbooks as detailed in the body of the report. These have been appropriately corrected prior to the year-end closedown of the accounts.

Review of Income

In addition to the annual precept, the Council receives income from additional service areas, including the cemetery, the annual Christmas Fayre, the Summer Holiday Play Scheme and occasional rental income from the Playing and Southons fields and, in 2022, from the Jubilee event, together with occasional grants from the parent Council.

We note that fees and charges in respect of the cemetery were again reviewed and formally adopted by the Council for 2022-23.

We have, as part of this year's review, examined the 6 interments taking place to 30th September 2022 agreeing the fees charged to the approved scale of fees and charges also ensuring that each was appropriately supported by undertakers' applications and the legally required burial / cremation certificates. We have also examined the file of stonemasons' applications for erection of new headstones and application of additional inscriptions to existing memorials with no issues arising in that respect.

We also examined the income relating to the Summer Holiday Play Scheme at our interim visit checking a sample of detail in the spreadsheet register of cash, cheques and bank credit income received and banked with no issues arising.

At our final review visit, we have examined income arising from the Christmas Fayre market and Jubilee event stalls. We are pleased to note that the former includes detail of the date fees have been paid when paid online, which provides an effective audit trail to the accounting records. However, where payment has been made by cheque or cash, whilst the dates of receipt are sometimes recorded, it is not possible to clearly verify the entry in the accounts. Consequently, we suggest that the date of banking for cash and cheque receipts be recorded in the control record with either the name or stall number recorded in the accounts. The spreadsheet control record for the Jubilee event includes no reference to the dates of receipt.

We have also examined the detailed nominal income records in the Alpha accounting software for the financial year to ensure that, as far as we are reasonably able, no income receivable has been overlooked to date in the year.

Conclusions and recommendation

We are pleased to record that no significant issues or concerns arise in this area this year, although, as above, we suggest that where Fayres and similar events are held with stall income arising, the controlling spreadsheet(s) should identify the date of banking (for online receipts) and dates when cash and / or cheques are deposited at the Council's bank account with the Alpha account identifying the stall numbers.

R3. Where events are held resulting in income from stall holders, etc, the controlling spreadsheet should identify the receipt date where payment is made directly to the bank or, where payment is received by cash or cheque, the date of banking should be recorded on the spreadsheet and the alpha accounts entry identify the stall reference number.

Petty Cash Account

The Council does not operate a formal petty cash scheme: any out-of-pocket expenses incurred by staff are reimbursed on submission of a properly authorised and supported claim form, together with till receipts and / or trader invoices.

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 Employee Rights Act 1998 and the requirements of HMRC legislation relating to the deduction and payment over of income tax and NI contributions.

The Clerk uses bespoke Sage payroll software to produce the monthly payroll for the four permanent members of staff, together with casual Play Scheme helpers. Consequently: we have:

- Verified the gross salaries paid in September 2022 to the five permanent staff members by reference to the approved NJC scales (Clerk and Assistant) and hourly rates for the two "outside" staff;
- Similarly checked and agreed the Play Scheme helpers' payslips relating to their week 1 salaries; and
- Verified that Tax and NIC deductions have been calculated correctly by reference to the monthly payslips as above also ensuring that these deductions have been paid over to HMRC in an accurate and timely manner.

Conclusions

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

Asset Register / Inventory

The Practitioner's Guide requires all councils to maintain a record of all assets owned. We are pleased to note that an appropriate asset register remains in place detailing both purchase and estimated replacement costs: also, that a photographic record is being maintained, as previously recommended by us.

The register has been updated to include new additions and any disposals occurring during the financial year. In checking the total value of assets recorded in the asset register, we note that, at £204,823 it does not correlate exactly to the value recorded in the Alpha accounting software (£204,622). Whilst the difference (£199) is minimal, the Alpha accounts detail and general asset register values should be coordinated.

The Clerk will consequently need to ensure that, when completing Section 2 of the year's AGAR at Box 9, the correct value of assets as at 31st March 2023 is recorded and that the two records are synchronised appropriately.

Conclusions and recommendation

We are pleased to record that no significant issues have arisen in this area this year, although, as above, action should be taken to ensure that the accounting records record the same value as the asset register.

R4. The asset values recorded in the Alpha accounts and separate asset register should be coordinated with each other.

Investments & 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 institutions; 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 the relevant loan agreements.

We are pleased to acknowledge the existence of an appropriate Investment Policy adopted by the Council in April 2021, as required by the statutory guidance on Local Government Investments which came into force on 1st April 2018.

The Council has one residual PWLB loan repayable half-yearly: we have verified the value of the two half-yearly repayments for 2022-23 to the PWLB demand note as part of our above referenced payment review sample and have also, at this final review obtained a copy of the UK Debt Agency’s notification of the year-end liability, which value we have agreed to the AGAR Section 2, Box 10 disclosure for the financial year.

Conclusions

We are pleased to advise that no issues arise in this area this year.

Statement of Accounts and AGAR

The AGAR now forms the Council’s statutory Accounts subject to external audit review and certification. The detail for the AGAR is generated automatically by the Alpha accounting software and we have reviewed and verified the detail disclosed in the year’s AGAR accordingly, subject to the minor discrepancy referred to above in relation to asset values.

Conclusions

We are pleased to record that no issues arise in this area warranting formal comment or recommendation and, based on the satisfactory conclusions drawn from the work undertaken this year, we have duly signed off the IA Certificate in the year’s AGAR assigning positive assurances in each relevant area.

Rec. No.	Recommendation	Response
Review of Accounting Arrangements and Bank Reconciliations		
R1	As indicated in the body of the report, when completing the month-end bank reconciliations, the Alpha Trial Balance at that time should be printed-off and, together with the month-end bank statement, be signed-off by the reviewing councillor as evidence of their review and agreement of detail to the reconciliation: all documents should be retained for audit examination.	<i>Appropriate procedures have been implemented to address this recommendation.</i>
Budgetary Control and Reserves		
R2	Where refunds of either previously recorded expenditure or income arise, they should be coded as contras to the original code in the Alpha accounts. Similarly, the “Square” transactions should be recorded in the cashbooks as detailed in the body of the report.	<i>These have been appropriately corrected prior to the year-end closedown of the accounts.</i>
Review of Income		
R3	Where events are held resulting in income from stall holders, etc, the controlling spreadsheet should identify the receipt date where payment is made directly to the bank or, where payment is received by cash or cheque, the date of banking should be recorded on the spreadsheet and the alpha accounts entry identify the stall reference number.	
Fixed Asset Registers		
R4	The asset values recorded in the Alpha accounts and separate asset register should be coordinated with each other.	