



Irchester Parish Council

Internal Audit Report

L.Honnor

25th April 2023

1. Introduction

- 1.1 The Council has a statutory duty to complete an Annual Return each year. Within the Annual Return there is an annual internal audit report (section 4) that provides assurance on a range of prescribed control objectives.
- 1.2 The internal audit review was undertaken after the year end to provide assurance that the internal control framework was operating effectively. This included compliance and substantive testing to ensure the control objectives are being met. Due to the current situation the papers for the Internal Audit were sent electronically and request was made for a random selection of paperwork to be scanned and forwarded for checking purposes.
- 1.3 The purpose of this report is to support section 4 of the Annual Return and provide the Parish Clerk and its Councillors with assurance that the control objectives are being met, and identify any areas where the control framework could be improved.
- 1.4 The audit does not guarantee that the accounting records are free from fraud or error.

2. Overview

- 2.1 The prescribed internal control objectives to be reviewed as part of the Annual Internal Audit Report are described in Table 1 below. Alongside each objective, a brief summary of the findings are included.
- 2.2 General comments are that financial records were easy to find and follow, filed in an appropriate manner and appeared to be complete and fit for purpose.
- 2.3 There were no significant issues identified. Minor recommendations have been made and is in section 3, Table 2.

Table 1 – Internal Control Objectives

	Control Objective	Findings
A	<i>Appropriate books of account have been properly kept throughout the year.</i>	Appropriate accounting records of receipts and payments have been maintained on an RBS Alpha accounting package that produces reports from which Irchester PC produces its accounts and completes the annual return. Review of the documentation confirmed adequate records are maintained through a random sample selection although there did appear to be a lot of mistakes which needed to be rectified and incorrect descriptions added.
B	<i>The Council's Financial Regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.</i>	The Council's Financial Regulations should be regularly reviewed and updated when necessary. Payments made during the year were examined and were supported by appropriate invoices or other documentation, as per sample selection, and had been approved for payment in accordance with the Regulations. Care should also be taken when recording VAT as one invoice did not show the breakdown and VAT was not reclaimed.
C	<i>The Council assessed the significant risks to achieving its objectives and reviewed</i>	The Council maintains a risk register for its significant risks. Risks should be reviewed annually which is adequate for a council of this size. Detail in the risk register was proportionate to the size of the council.

	<i>the adequacy of arrangements to manage these.</i>	
<i>D</i>	<i>The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.</i>	Evidence of regular budget monitoring reports were provided. The annual precept requirements were based on an appropriate budget and were approved by the Council. Reserves are adequate for the size of council with anticipated high expenditure over the next few years. Ensure that the councils monies are protected as each bank only insures £85k
<i>E</i>	<i>Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.</i>	A sample of income sources were reviewed and were recorded and banked in full.
<i>F</i>	<i>Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.</i>	Not applicable. No petty cash system is operated.
<i>G</i>	<i>Salaries to employees and allowances to Members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.</i>	The Council uses the HMRC Basic PAYE tools for payroll purposes. There was evidence of appropriate PAYE and NI payments to HMRC through the use of HMRC's Basic PAYE tools; full recalculation for accuracy was not tested, reasonableness review was undertaken. Pension is with NEST and contributions were calculated accordingly.
<i>H</i>	<i>Asset and investments registers were complete and accurate and properly carried out.</i>	Appropriate records of assets have been maintained by the Clerk.
<i>I</i>	<i>Periodic and year-end bank account reconciliations were properly carried out.</i>	The income and expenditure is matched to the bank statements monthly. Bank reconciliations are presented to council at every meeting. The full reconciliation at the yearend is recorded with a listing of un presented cheques.
<i>J</i>	<i>Year-end accounts were prepared on the correct accounting basis (receipts & payments/income & expenditure), agreed with cashbook, were supported by an adequate audit trail from underlying records, and, where appropriate debtors and creditors were properly recorded.</i>	The yearend accounts were prepared on the income and expenditure basis, and agreed to other financial records and bank statements.
<i>K</i>	<i>The Council has met its responsibilities as a trustee.</i>	Not applicable

3. Actions for consideration

- 3.1 The following recommendation is suggested to improve the control environment. See table 2.

3.2 The recommendations are rated in three categories – High, Medium and Low. Examples of the risks of not making recommended changes are listed below. The list for each is not exhaustive.

- **High** – Where failure to make changes is likely to give rise to a risk of breach of legislation or breach of Financial Regulations; risk of significant loss (financial, reputational) due to undetected fraud or error; or danger to life. The risk is likely to materialise within 3 to 6 months.
- **Medium** – where failure to make changes may give rise to a breach of approved procedures or Financial Regulations; risk of loss (financial, reputational) due to undetected fraud or error; or risk of injury. The risk is likely to materialise within 6 to 12 months.
- **Low** – Where failure to make changes may result in weaker controls leading to risk of undetected fraud or error, or where good value for money is not being routinely achieved.

Table 2 - Action Plan

Ref	Recommended action	Rating	Explanatory Notes
1	Village Voice – income is received through advertisements placed in the village magazine which is produced and maintained by the parish council. There is no control of audit trail regarding this income – this was highlighted last year but due to the pandemic limited editions were printed. As there has been several changes it would appear that, again, this has not happened.	Medium	It is advised that either copy invoices or receipts should be produced with the income figures and appropriate spreadsheets should record the advert and cost in order to produce an audit trail. Details should be presented in this manner to council at least 6 monthly. This was advised in the past but not yet followed up.
2	Bank balances – The council currently has 3 bank accounts of which one is a savings account	Low	Monies need to be transferred for safe guarding
3	Accounting details	Low	Invoices need to be recorded correctly. In some cases there was no adequate description for expenditure therefore Councillors would not be aware of what the payments were being made for. Details are also included in minutes so an explanation should be given as this could be queried by the public. When making back payments for multiple invoices for the same company need to be on the same voucher. 'Expenses' incurring VAT should be in the pc name in order to claim the VAT back Care should be taken when entering data.

3.3 The recommended actions were discussed with the Clerk and comments or agreed responses are recorded and followed up at subsequent internal audit visits.

4. Acknowledgements

4.1 The assistance and cooperation of the Clerk was greatly appreciated by the auditor.