Heytesbury, Imber & Knook 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 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 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 representative volume of transaction testing, to ascertain whether 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 / Annual Return. Our programme of cover is designed to afford appropriate assurance that the Council has appropriate and robust financial systems in place that 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' as part of the Council's Annual Governance and Accountability Return (AGAR) process, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We have concluded that, based on the satisfactory completion of our programme of work for the year, the Council continues to maintain adequate and effective internal control arrangements. We have not seen the need to make any formal recommendations, although we have made a number of observations throughout the report on potential governance improvements that we would invite the Council to consider.

We have therefore, completed and signed the 'Internal Audit Report', having concluded that the control objectives set out in that Report have been achieved within the financial year to a standard adequate to meet the needs of the Council.

Detailed Report

Maintenance of Accounting Records & Bank reconciliations

Our objective in this area is to ensure that accounting records are being maintained accurately and currently and that no anomalous entries appear in the spreadsheet cashbooks maintained by the Clerk. Two accounts are in operation with Lloyds Bank. We have undertaken the following checks:

- Verified all opening and closing balances between the cashbook and the Annual Return (AGAR);
- Ensured that appropriate analysis of receipts and payments exists to facilitate budget performance reporting and management throughout the year;
- Checked transactions between the Current and Deposit Accounts and the cashbook;
- Verified bank reconciliation detail on the Council's Current and Deposit accounts as at 31 March 2023;
- Ensured the accurate disclosure of the combined balances in the Annual Return for 2022-23.

We are pleased to note that an independent check of the year-end bank reconciliation was undertaken, which meets the requirement of Financial Regulation 2.2. This needs to be maintained on at least a quarterly basis throughout 2023-24.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

Review of Corporate Governance

We note that the Council last reviewed its Standing Orders and Financial Regulations at its July 2022 Council Meeting. While these now accord with the NALC Model Forms, we note that the tendering levels in both documents have been left at the NALC default level of £25,000, rather than the previously set £10,000. We have discussed this with the Clerk, who has agreed to bring the issue to Council.

We have reviewed the Council's Minutes for the financial year to determine whether or not any issues exist, or are developing, of a financial or legal nature that may impact on the audit opinion or the future financial stability of the Council. We have also ensured that, as far as we may reasonably be expected to ascertain, the Council has operated within its legal limitations.

The requirements of the Transparency Code became mandatory for smaller councils from 1st April 2015. We note that the Council continues to fully comply with the Code requirements for Smaller Authorities.

We are pleased to record that the Exercise of Public Rights with regard to the 2021-22 Accounts was properly undertaken and publicised in accordance with the Accounts and Audit Regulations.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

Review of Payments

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;
- 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 have reviewed the procedures in place for receiving, checking for authenticity and accurate detail recording, processing by the Clerk and formal approval for payment by Councillors. We note that electronic payments continue in use, with some use of an approved Debit Card.

We have continuing concerns over the level of payments made to Councillors for purchasing items on behalf of the Council. In principle we believe that all payments should be made directly to suppliers through the Council's accounts, and reliance should not be placed on the goodwill of Councillors or the Clerk to effectively pre-fund the Council. We note above that an approved Debit Card is in use, and would suggest that this facility be expanded if it is deemed essential that such purchases need to be made outside the normal pattern of payments approved at meetings.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation, other than our observation about purchases by Councillors and the level of reimbursements.

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 to minimise the opportunity for their coming to fruition. We have: -

- Examined the Council's current year insurance policy with the Local Councils Policy, brokered by BHIB and underwritten by Aviva, and we consider cover appropriate for the Council's present requirements;

- Noted that a Risk Assessment has been drawn up which was approved at the June 2022 Council meeting, which meets the requirement of Financial Regulation 17.1 for at least an annual review;
- Noted that the Council's play grounds and recreational areas continue to be inspected on an annual basis by RoSPA, with periodic inspections by designated Councillors.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

Budgetary Control and Reserves

We note that Members undertook a Budget Setting and Precept determination process which was formally approved by the Council at the November 2022 meeting, setting the 2023-24 Precept at £19,570.

We also note that members receive regular budget performance reports, including the level of bank balances, at each meeting.

We have examined the level of year-end reserves available to the Council. We have clarified with the Clerk the level of Earmarked Reserves, approvals for which are not clearly apparent in the Minutes. These have been agreed at £2,540 as at 31 March 2023, discounting the previous inclusion of £4,016 as '3 months operating costs' which duplicates the role of the General Reserve.

Given the final cash balance of £10,551 at 31 March 2023, and deducting the above Earmarked Reserves, gives a General Reserve of £9,511, which is around 40.9% of the approved Precept against a Best Practice level of 50%. This level is broadly acceptable, although clearly requires ongoing scrutiny by the Council.

Given the recent change in policy by Wiltshire Council, the Council may also wish to consider establishing a formal Earmarked Reserve for future elections.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation, other than the observations concerning monitoring of the General Reserve and the formal approval of Earmarked Reserves.

Review of Income

The Council receives income from relatively limited sources, including the annual precept, grants, bank interest, and administration of the Raymond Trust. We have tested the detail of income recorded in the cashbook to such supporting records as are available and to bank statements.

We note that the Council derives no income from the Knook Allotments, although maintenance costs are incurred.

Conclusions

There are no issues arising in this area this year warranting formal comment or recommendation.

Petty Cash Account

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

Salaries and Wages

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 HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, noting that the clerk is currently not contributing to the pension fund.

We have checked the salary payments in the year for the Clerk to the approved salary and hours of employment, and appropriate HMRC deductions, with no issues arising, although we note the considerable number of changes in-year. We are pleased to note that the Council formally approved the NJC 202 Pay Award.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

Asset Registers

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We are pleased to note compliance with this requirement with the Clerk maintaining an appropriate register.

We note that the Register was approved by Council at its February 2023 meeting, and the valuation reflects in-year transactions. We reasonably believe that assets are valued either at original cost or, where this is not available, a nominal £1, and have agreed the valuation to Section 2, Box 9 of the 2022-23 AGAR.

Conclusions

There are no issues arising in this area this year warranting formal comment or recommendation.

Investments and Loans

The Council has no investments, nor any loan repayable either by it, or to it.

There are no issues arising in this area of our review warranting formal comment or recommendation.

Raymond Trust

We have examined the financial records for this Trust for 2022, as published on the Council's website, and the few transactions in the Council's 2022-23 records relating to the costs of administering this Trust. Based on this, we maintain our previous view that the level of annual transactions falls below the level where the Charity Commissioners require an independent audit to be conducted. We will reconsider this issue during each annual audit.

Statement of Accounts and Annual Governance and Accountability 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.

As part of our review process, we have examined the Council's procedures in relation to the identification of detail for inclusion in Section 2 of the Return. We have agreed detail therein to Section 2 of the 2022-23 Annual Governance and Accountability Return.

Conclusions

We are pleased to record that no issues arise in this area and, on the basis of the work undertaken during the course of our review for the year, we have "signed off" the Internal Audit Report in the year's Annual Governance and Accountability Return assigning appropriate assurances in all areas.

Rec. No.	Recommendation	Response
	No recommendations made	