

Backwell Parish Council

Internal Audit Report (Final update) 2022-23

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Background and Scope

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 in relation to the 2022-23 financial year, during our two visits to the Council, which took place on 6th January and 12th April 2023.

Internal Audit Approach

In conducting our review for the year in accordance with the requirements of the IA Certificate in the AGAR and the latest edition of the JPAG Practitioner's Guide we have again paid due regard to the materiality of transactions and their susceptibility to potential misrepresentation in the Accounts / AGAR, together with examining the overall governance framework. Our aim is to ensure that the Council continues to operate robust control systems and that transactions are, as far as we are reasonably able to ascertain, processed in accordance with national and locally approved legislation.

Overall Conclusion

We again wish to acknowledge the high quality of documentation prepared and maintained by the Clerk, which significantly assists our review process: we are again pleased to record that no significant issues have been identified this year other than to draw attention to one small procedural matter that would benefit from periodic review and re-adoption relating to the Investment Strategy that was last adopted in 2020-21.

Based on the satisfactory conclusions drawn from our review programme and testing of transactions for the year we have signed-off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

We also take this opportunity to 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 Clerk uses the Scribe accounting software to maintain the Council's accounting records: the system operates effectively and provides the Council with all necessary and relevant financial information to facilitate its internal monitoring of performance. Six bank accounts are in use currently: 3 with HSBC, 2 with Unity and 1 with NatWest: we understand that members are in the process of considering a revision to its present banking arrangements and will monitor the outcome of their deliberations at our next visit.

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

- Ensured that the coding structure remains appropriate for purpose;
- Verified the accurate carry forward of the closing balances for 2021-22 into the 2022-23 Scribe accounts;
- Checked detail in the receipts and payments "cashbooks" generated by Scribe, examining all transactions recorded for the financial year agreeing detail to the relevant supporting bank statements;
- Checked and agreed detail on the combined accounts bank reconciliations prepared as of 30th November 2022 and 31st March 2023 with no issues arising; and
- Ensured the accurate recording of the combined bank account balances in the AGAR at Section 2, Box 8.

Conclusions

We are again pleased to record that no issues have been identified in this area of our review process this year.

Review of Corporate Governance

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

- Noted that the Council has formal SOs and Financial Regulations (FRs) in place, both being in line with the NALC model documents and subjected to review and re-adoption by the Council at its meeting on 19th May 2022 with no changes made; and
- Reviewed the Council's minutes examining those for the financial year as posted on the Council's website to determine whether any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability and are pleased to record that no such matters have been identified.

We are pleased to note that the external auditors signed-off the 2021-22 AGAR with no qualification or other matters raised. We are also pleased to note the timely and appropriate publication of the Notice of Public Rights to examine the Council's financial records for 2021-22 with the requisite 30 working days availability duly recorded thereon.

Conclusions

We are pleased to report that no issues arise in this area this year and will continue to review minutes and the Council's approach to governance issues at future visits.

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Appropriate documentation supports payments, 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 extended testing in this area at this final review examining a total sample of 55 individual payments processed and paid during the financial year. Our selected sample is drawn from all non-pay payments, as recorded in the Scribe Payments "cashbook" and totals £98,175 equating to 72% by value of all non-pay related payments processed in the year.

We are again pleased to note that VAT reclaims continue to be prepared and submitted to HMRC periodically, although we noted at our interim visit that some delays had arisen: notwithstanding that, appropriate reclaims have been prepared, submitted and repaid by HMRC to 30th September 2022. We understand that a reclaim for the second half of the year is being prepared at the time of this final review: consequently, we will check on the position at our 2023-24 interim visit.

Conclusions

We are pleased to record that no issues have been identified in this area 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 to minimise the opportunity for their coming to fruition. We have: -

- Examined the Council's insurance policy with Zurich ensuring that appropriate cover is in place with both Employer's and Public Liability cover standing at £10 million, together with Fidelity Guarantee cover at £0.5 million, all of which we consider appropriate for the Council's present needs;
- Noted that the Council has reviewed and re-adopted its Risk Assessment and Management document at the full Council meeting held on 2nd March 2023: we have

reviewed the document and consider that it remains appropriate for the Council's present requirements; and

- Reviewed the Council's arrangements for inspections of play areas and playing fields, noting the employment of a local external contractor to undertake regular monthly inspections, supplemented by weekly internal inspections undertaken "in-house" by a Councillor who has received the appropriate training with an annual review also undertaken by a RoSPA accredited external contractor.

Conclusions

We are pleased to record that no issues have been identified in this area currently. We shall continue to monitor the Council's approach to risk management at future visits.

Budgetary Control & Reserves

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and level of precept to be drawn down from the District Council: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans and cover any unplanned expenditure that might arise.

We are pleased to note that, following due deliberation of the Council's budgetary requirements for 2023-24, the Council approved and adopted at its January 2023 meeting a precept of £144,745 for the year.

We note that members continue to be provided with detail of the Council's budgetary position, as generated by the Scribe Accounts software, during the year and have examined the year's budget outturn report and are pleased to record that no unexplained variances exist that warrant further enquiry or comment.

We have also considered the ongoing appropriateness of the Council's overall retained reserves which have reduced to £161,920 at the financial year-end (£198,960 at 31st March 2022): of that total, £72,360 is set aside in 8 specific earmarked reserves leaving a General Reserve balance of £89,560 which equates to approximately 6 months' revenue spending at the 2022-23 level and sits comfortably within the generally recognised holding of between 3 and 12 month's revenue spending.

Conclusions

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

Review of Income

The Council has relatively limited sources of income, primarily the annual precept, allotment rents, occasional grants and donations, including CIL moneys, and bank interest.

Our objective in this area is to ensure that all income due to the Council is identified and recovered within an appropriate period and is also banked promptly. We have, as indicated in the first section of this report, confirmed income arising from bank interest and other miscellaneous receipts for the year, together with receipt of the half-yearly precept payments.

The allotment rental year commences on 1st January annually: the Clerk maintains an appropriate spreadsheet control record of tenants with the amounts due and received and means of payment to the Council recorded for each plot. We are pleased to note that, following our previous recommendation, the dates of receipt are now also recorded on the spreadsheet thereby providing a comprehensive audit trail from the register through to the Scribe accounts. We have examined the register and are pleased to record that no issues have been identified in this area with all rents duly paid before the financial year-end.

Conclusions

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

Petty Cash Account

The Council does not operate a formal petty cash account, any expenses incurred being reclaimed monthly and repaid through the normal invoice process.

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 as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme. To meet the above objective, we have: -

- Checked and agreed detail of salaries paid in both November & December 2022 to the nationally agreed salary rates applying since 1st April 2022, the 2022-23 pay award having been agreed and implemented with the December 2022 salary payments;
- Ensured that tax and NI deductions / contributions have been made applying the appropriate tax code and NI Table by reference to the two months' payslips and HMRC tables;
- Ensured that the appropriate employee and employer contributions to the pension scheme have been applied; and
- Ensured the appropriate payment of employee deductions / Council contributions to the relevant agencies for the November salaries.

Conclusions

No issues have been identified in this review area.

Asset Registers

The Practitioner's Guide requires all Councils to maintain a Register of Assets. We note that the Clerk has reviewed and updated the register in place as at 31st March 2023 adjusting the register appropriately to include any new assets acquired in the year with none disposed of resulting in an increase in the asset value recorded on the year's AGAR, which we have duly agreed to the register.

We note that certain of the Council's assets have been photographed and previously suggested to the Clerk that, in line with best practice and to assist the smooth progression of any insurance claim or police enquiry in the event of theft or accidental / wilful damage to Council property a photographic register of all property should ideally be developed and maintained.

Conclusions

No issues arise in this area warranting formal comment or recommendation, although, as above, we have suggested previously that the existing photographic register of assets be expanded to include all street furniture and other potentially at-risk Council assets. We understand that one of the councillors agreed to undertake this exercise and started to develop a full photographic register, although progress has stalled for a variety of reasons. We urge that production of the photographic register is completed as soon as physically practicable.

Investments and Loans

We aim in this area of our review process to ensure that the Council is taking appropriate action to ensure interest earning capabilities are maximised whilst safeguarding the Council's resources. We have noted previously that, following its maturity in August 2016, the Council had not re-invested any surplus funds. We note that, following our previous suggestion, the Council diversified the placement of funds across three banks. Even so, the combined amounts held in the two HSBC bank accounts exceed the current Financial Compensation Scheme limit of £85,000.

We recorded in last year's report that the Council had developed an appropriate Investment Strategy which was formally adopted by the Council at its meeting on 5th March 2020. We note that the Council is currently considering its "investment" options with possible changes in its banking arrangements and understand that the Strategy will be updated accordingly once a final decision has been made in this respect.

No loans are in existence either payable by or to the Council.

Conclusions and recommendation

No concerns arise in this area currently noting, as above, the likely revision to the Council's current banking arrangements: we will continue to monitor the position at our next review visit.

R1. The Investment Strategy should be subjected to periodic review and re-adoption, ideally at least every other year. The Strategy will be updated once a final decision is made on the Council's future banking arrangements.

Statement of Accounts and AGAR

The AGAR now forms the Council's Statutory accounts subject to external audit examination and certification. Financial detail for inclusion in Section 2 of the AGAR is generated automatically by the Scribe accounting software, except for the value of Fixed Assets, which as referred to above is based on the spreadsheet maintained formal Asset Register.

We are again pleased to note that the Clerk has, as in previous years, produced a set of supporting notes to the Accounts and have verified the accuracy of detail recorded on the AGAR at Section 2 ensuring agreement with the underlying financial records.

Conclusions

No issues have been identified warranting comment or recommendation in this area and, based on the work undertaken at this final and our earlier interim visit, we have signed-off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

Rec. Recommendation No.	Response
Investments and Loans	
R1	The Investment Strategy should be subjected to periodic review and re-adoption, ideally at least every other year.
	<i>The Strategy will be updated once a final decision is made on the Council's future banking arrangements.</i>

