

Public Sector Audit

Skidby Parish Council

Internal Audit Report for the year ended 31 March 2023

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Introduction

Part 2, paragraph 5 (1) of the Accounts and Audit Regulations 2015 imposes a duty on Local Councils to “undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

Internal audit is a key component of the system of internal control. The purpose of internal audit is to review whether the systems of financial and other controls over a council's activities and operating procedures are effective.

At the request of the council I have conducted an Internal Audit review of the council's accounting records in respect of the financial year ended 31 March 2023. I have acted independently and, on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in place during the financial year.

The audit has been carried out in accordance with the council's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions and recommendations have been recorded in the table below.

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Prioritisation of recommendations

In accordance with good internal audit reporting practice and the Governance and Accountability for Local Councils Practitioners Guide, the recommendations contained in this report have been prioritised. The following 'traffic light' system for the prioritisation of recommendations has been adopted: Page | 3

- Significant weakness in internal control requiring urgent attention.
- Moderate weakness in internal control requiring attention within the current year.
- Minor weakness in internal control, or matters of good practice the council may wish to consider, to be addressed within the current year.

Distribution List

Chairman of the Council

All Members of the Council

Clerk to the Council

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The findings of the audit are summarised below

	Test	Findings and Recommendations
1	Have appropriate books of account been properly maintained throughout the year?	<p><u>Appropriate accounting records</u></p> <p>Findings</p> <p>The cash book is maintained on spread sheets. It is has been well maintained and balanced up to the 31st March 2023.</p> <p>It is sufficiently well analysed to provide all the information required for the completion of the Annual Governance and Accountability Return (AGAR).</p> <p>A year-end bank reconciliation has been performed and monthly reconciliations are presented to each meeting of the council.</p> <p>Records are maintained to provide an audit trail from original receipts/invoices and remittance advices to the cash book and bank.</p>
2	Have the council's Financial Regulations and Standing Orders been formally adopted and complied with?	<p><u>Adherence to Financial Regulations and Standing Orders</u></p> <p>Findings</p> <p>The council's Standing Orders, that were amended to incorporate NALC's revised wording in respect of procurement thresholds in paragraphs 18.c and 18.f, were approved at the council meeting held on the 5th July 2022. The council's Financial Regulations were also re-approved, with a minor amendment, at the same meeting. At the council meeting held on the 7th March 2023 a change to the procurement threshold in paragraph 18.a.v, was approved. At the meeting held on the 4th April 2023 the council approved the same amendments to procurement thresholds in respect of public contract regulations in paragraph 11.8b in its Financial Regulations.</p> <p>Both Financial Regulations and Standing Orders are based on the latest NALC Models.</p>

		Financial Regulation 1.8 formally confirms the appointment of the Clerk as the council's RFO.
3	<p>Are payment controls effective and VAT properly accounted for?</p> <p>Has the council recorded s137 expenditure separately and is it within the statutory limit?</p>	<p><u>Adequate payment controls</u></p> <p>Findings</p> <p>I have tested a large sample of payments, and all high value transactions, throughout the year.</p> <p>I have reviewed for completeness, accuracy, correct year of account, authorisation by two Council Members, reporting to council and classification within the council's accounts.</p> <p>I have checked to confirm that the council strived to obtain three estimates for contracts between £300 and £2,000 and three quotations for contracts between £2,000 and £30,000, in accordance with the council's Financial Regulations.</p> <ul style="list-style-type: none"> ➤ It is noted that the council undertook a formal tendering process in respect of its Grounds Maintenance contract and the successful contractor was awarded a three-year contract commencing in 2023/24. ➤ It was also noted that the council arranged for the removal of the climbing frame and roundabout and reinstatement of the grass at a cost of £1702. The Clerk has confirmed that companies were contacted to carry out this work, but they were unable to provide an estimate. The work was finally awarded to a local contractor. <p>I have tested and confirmed that VAT has been identified and correctly recorded in the accounting records for inclusion in the VAT reclaim at the year end.</p> <p>A separate account has correctly been established for s.137 expenditure. This is a general power provided for councils to incur expenditure, under the 1972 Local Government Act, when there is not a more specific power available. It is normally used by councils for the payments they make to the Royal British Legion (RBL) for Remembrance Day wreaths. This is because such payments are classified by RBL as donations and councils do not have any other statutory power available to them to donate money to Charities.</p>

		<p>➤ It is noted that the council has purchased a Remembrance Day wreath during the year and coded this expenditure to s.137. As the wreath was purchased from a florist, it is not a charitable donation, and as such should be treated as being made under a more specific power available to local councils such as s.111 of the 1972 Local Government Act.</p> <p>A small number of cheques have been issued to the date of the audit and the cheque stubs have been correctly initialled by all three signatories to signify the agreement of the stub with the details on the cheque and the documentary evidence seen in support of the cheque at the time of signature.</p> <p>Invoices paid online via the BACS system and by Direct Debit were supported by three authorising signatures on each invoice and the BACS authorisation schedule. A schedule of monthly payments - including BACS, Direct Debit and cheques - is also included in the council's minutes and agreed by Council Members.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● For transparency and audit purposes, the council should maintain records in support of its compliance with Financial Regulations in relation to attempts to obtain estimates for works and services within the limits prescribed by Financial Regulations.
4	<p>Has the council assessed the significant risks in delivering its activities and services and regularly reviewed the adequacy of these assessments?</p> <p>Is insurance cover appropriate and adequate?</p> <p>Are financial controls documented and regularly reviewed?</p>	<p><u>Assessment of significant risks</u></p> <p>Findings</p> <p>The council maintains a Risk Register which identifies all council risks and the measures in place to control and mitigate the risks. The document was amended by the Clerk during the year and approved at the council meeting held on the 7th February 2023. The minutes record that the Clerk will reassess all risks during the current financial year. A specific Christmas lights switch-on Risk Assessment has also been prepared by the Clerk, but this was not formally approved by council.</p> <p>Routine inspections of the playing field have been undertaken during the year; there was one undertaken in June, one in July, three in August, one in October and four in November 2022. Further inspections of all council Assets, mostly undertaken during January and February 2023, were undertaken by the Clerk and</p>

reported to council on the 7th March 2023. The report to council identifies that the actions required to remedy issues that were identified during the inspections, have not yet been undertaken.

Minute number 18.22.d of the Annual Meeting of the council on the 3rd May 2022 resolved that an order be issued to the Play Inspection Company for an annual inspection of the council's play equipment. To the date of the audit this has not been undertaken.

I have examined the council's insurance policy and the indemnity limits are considered to be adequate.

I have re-reviewed the security of the council's electronic data. The Clerk has confirmed that all electronic records are backed up to One Drive, and hence are updated and saved automatically to cloud. The council's computer is password protected.

The council does not currently maintain a document that identifies key tasks which need to be undertaken on a weekly, monthly, quarterly and annual basis. Such a document would provide useful information in respect of the routine financial processes undertaken by the Clerk in the event of an unexpected absence.

Recommendations

- All council Risk Assessments should be presented to council for review and approval.
- The inspection check lists used for the playing field should include a column to record when necessary actions have been taken to remedy any issues and defects identified. It is important to maintain such a record to ensure that all issues are dealt with in a timely manner, and in the event of injury to a member of the public, it provides evidence of the council's actions following the discovery of an issue in order to protect the council's interests.
- The council's play equipment inspections have not been undertaken on a regular basis and some issues have not been followed up in a timely manner. The council should, therefore, consider seeking advice from the insurance company who should be happy to advise on the required frequency of such inspections as it is

		<p>they who are covering the risk for the council. Following the insurance company's advice, the frequency of inspections should be adhered to, and all issues identified should be followed up in a timely manner.</p> <ul style="list-style-type: none"> ● The council should progress the resolution of May 2022 to use the services of the Playground Inspection Company to undertake annual inspections of the council's play equipment. ● The council may wish to consider the preparation of a document which records the key tasks undertaken on a regular basis. This would assist in the seamless running of the council in the event of the unexpected absence of the Clerk.
5	<p>Has the annual precept requirement resulted from an adequate budgetary process?</p> <p>Has progress against budget been regularly monitored and reported and were reserves appropriate?</p>	<p><u>Adequate budgetary process</u></p> <p>Findings</p> <p>A detailed budget, which identified each income and expenditure cost centre, was prepared for 2022/23 and was approved by Full Council on 27th December 2021.</p> <p>Budget monitoring reports, which compare actual income and expenditure against the council's original budget, are presented to each council meeting for review and approval. The council's minutes record the noting of the reports.</p> <p>The monitoring reports are reviewed by council Members and discussions take place if any queries arise or if any income or expenditure codes show significant variations from original budget.</p> <p>The council's general balances as at the 31st March 2021 totalled £52,033. This comprised reserves of £35,840 earmarked for future projects and contingencies and the remainder is a general working balance of £16,193. The general balance represents 50% of the council's current Precept requirement and it is considered to be both adequate and prudent for a council the size of Skidby Parish Council.</p>

6	<p>Was all expected income fully received in accordance with the current scale of charges, properly accounted for and promptly banked?</p> <p>Were security controls over cash and cash equivalents effective?</p>	<p><u>Adequate income controls</u></p> <p>Findings The council's Precept for 2022/23 totals £28,100 which agrees to the two equal instalments of £14,050 received on 03/05/22 and 03/09/22.</p> <p>The council also received income in respect of rents, hire of the playing field, the Cemetery, a VAT refund from HMRC, an ERYC Jubilee grant, a refund from Npower, donations, sundry income and a small amount of bank interest. I have agreed all income to supporting documentation, the Cemetery scale of charges, council minutes in respect of the playing field and rents, and the duplicate receipt book.</p> <p>A small sum of cash was received from the Christmas lights switch on. This was counted by the Clerk and a Council Member and banked without undue delay.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● For transparency and ease of reference, the council should establish a miscellaneous scale of charges identifying the most recent minute references, updated each time sundry charges, such as rents and playing field fees, are amended by council.
7	<p>Were petty cash payments appropriate and supported by receipts?</p> <p>Was all expenditure approved and reported to members?</p> <p>Has VAT been correctly accounted for?</p>	<p><u>Appropriate petty cash controls</u></p> <p>Findings A separate petty cash system is not maintained. All petty disbursements incurred by the Clerk and, occasionally, Council Members are reclaimed monthly and reimbursed through the payments system together with all other payments.</p> <p>The VAT element of sundry expenditure incurred has been correctly analysed and identified in the cash book.</p> <p>Petty disbursements are reported to council monthly together with all other council payments.</p>

8	<p>Do all employees have contracts of employment with clear terms and conditions?</p> <p>Are salaries to employees and all other payments and allowances paid in accordance with council approvals?</p> <p>Has PAYE and NI been correctly deducted and paid to HMRC?</p>	<p><u>Adequate payroll controls</u></p> <p>Findings</p> <p>The Clerk's contract of employment was signed by the Clerk and the Acting Clerk at the time of appointment and contains clear terms and conditions of employment. A further copy, signed by both parties was not, however, given to the Clerk upon her appointment. The Clerk received a copy, but this is not signed and the date of employment has not been completed to identify in which year she was appointed.</p> <p>I have agreed all salary payments from April 2022 to March 2023 to the original contract, including any subsequent changes to terms and conditions of employment approved by the council and the 2022/23 NJC National Pay Award, including appropriate back pay.</p> <p>The Clerk has been subject to PAYE and NI regulations via the payroll prepared by the Clerk using HJMRC Basic Tools. For the sample checked, PAYE and NI deductions have been correctly paid to HMRC.</p> <p>The External Auditor now requires me to check that the correct employers' pension percentage contribution has been applied. The Clerk has confirmed that she has, however, opted to not auto-enrol into the Government's NEST pension scheme.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● The council should issue the Clerk with a formal copy of a Contract of Employment, signed by both parties. ● Contracts of Employment should be dated in full to confirm the date the employment began.
9	<p>Is the Asset and Investment Register complete and accurate and reviewed on a regular basis?</p>	<p><u>Appropriate recording of assets</u></p> <p>Findings</p> <p>The council's Asset Register is maintained as a schedule in the recommended format.</p> <p>I have reviewed the expenditure records for the year and confirm that purchases during the year have been added to the register and correctly valued at cost price excluding VAT.</p>

		<p>I have attempted to reconcile the register with the schedule of assets in the insurance policy to confirm that all of the council's assets are adequately insured. There are, however, many items on the Asset Register that do not appear on the insurance schedule; the council may also wish to insure these.</p> <p>The council does not hold any investments.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The council should review the schedule of assets in the insurance policy to ensure that all assets it wishes to insure are adequately covered.
10	<p>Were bank reconciliations performed on a regular and timely basis?</p> <p>Has a year-end reconciliation been performed and balanced?</p> <p>Have all bank reconciliations been reviewed by an appointed member and evidenced as such?</p>	<p><u>Adequate bank reconciliations</u></p> <p>Findings</p> <p>The Clerk prepares bank reconciliations each month which include the Council's Current Account and Instant Access Account.</p> <p>The reconciliations balance the cash book to the bank statements for both accounts each month. The reconciliations are presented to each council meeting and, for the majority of months, the reconciliations have been signed by the Chairman as well as the respective bank statements, to confirm that they are in agreement.</p> <p>As a result of issues that have arisen at other Town and Parish Councils it is considered to be good financial management that the respective balances on the accompanying bank statements are signed/initialled by the Chairman every month as evidence of the checking of the month end bank balances against the reconciliations.</p> <p>A review of the reconciliations confirms that there are no unusual or balancing entries.</p>

		<p>Recommendation</p> <ul style="list-style-type: none"> ● The Chairman should sign against the month-end bank balances on both of the respective bank statements each month to signify that she/he has checked and agreed the monthly balances to the bank reconciliations.
11	<p>Were Accounting statements prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate, were debtors and creditors properly recorded?</p> <p>Has the previous Internal Audit Report been submitted to council and actioned as necessary?</p>	<p><u>Correct accounting basis and previous Internal Audit Report actioned</u></p> <p>Findings</p> <p>The year-end statements have been prepared on the correct accounting basis (Receipts and Payments) and, therefore, debtors and creditors have not been included.</p> <p>The statements agree with the cashbook and there is an audit trail from underlying financial records to the year-end statements.</p> <p>The figure in box 8, bank balances, agrees to the year-end bank reconciliation statement and the figure in box 9, fixed assets, agrees with the year-end total on the Asset Register.</p> <p>The Internal Audit Report in respect of 2021/22 was presented to and approved at the Annual Meeting of the Parish Council on the 7th June 2022.</p>
12	<p>If the council certified itself as exempt from an External Audit Limited Assurance Review last year, has it met the exemption criteria and correctly declared itself exempt?</p>	<p><u>Exemption Certificate</u></p> <p>Findings</p> <p>The council, correctly, did not complete an Exemption Certificate under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015.</p>
13	<p>Did the council correctly provide, during the summer, the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations 2015?</p>	<p><u>Exercise of Public Rights</u></p> <p>Findings</p> <p>I have confirmed by a review of the council's website that, during the summer of 2022, the council correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the 2015 Accounts and Audit Regulations.</p>

14	Did the council comply with the publication requirements for the previous year's AGAR?	<p><u>Publication Requirements</u></p> <p>Findings I have reviewed the council's website and confirmed that the Parish Council published the correct documents as required by the Accounts and Audit Regulations 2015.</p>
15	Has the council met its responsibilities as a Trustee?	<p><u>Trustee responsibilities</u></p> <p>Findings I have seen no evidence that the council has responsibility as a sole Trustee for Trust Funds and the Deputy Clerk has confirmed that this is the case.</p>

Executive Summary

The accounts and governance arrangements of the council have been maintained to a good standard and the assistance of the Clerk of the council in the completion of this audit was much appreciated.

The internal financial control environment within the council is also good and the consideration and adoption of the above recommendations and advisory note will strengthen the systems, procedures and governance arrangements already in place.

The Internal Audit has been conducted in accordance with the Governance and Accountability for Local Councils – Practitioners Guide 2022.

I confirm that I have no relationship or interest, financial or otherwise, with any member or officer of the council.

Richard Dixon

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25th April 2023

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