

Calne Without Parish Council

Internal Audit Report 2022-23

Chris Hall

Consultant

*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. Our transaction testing has been greatly facilitated by the introduction of the Scribe accounting system.

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/AGAR. Our programme of cover has again been 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 annual 'Internal Audit Report', which requires independent assurance over specified internal control objectives.

Overall Conclusion

We have concluded that, on the basis of the programme of work undertaken this year, the Council has continued to maintain an adequate and effective internal control environment. We have found no issues of concern requiring recommendations for improvement, although we have made some observations on specific issues within this report. We would like to complement the Clerk, and the Council, on this result.

We have completed and signed the 'Internal Audit Report', having concluded that, in all 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.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliation

With effect from 1 April 2022, the Clerk maintains the Council's accounting records using the Scribe accounting system, which greatly enhances reconciliation and transaction testing. Two bank accounts are in place for everyday operations, both with Lloyds Bank plc, with longer term savings accounts at Nationwide and Bath Building Societies and, with effect from August 2022, Charity Bank.

We have confirmed that the closing 2021-22 balances have been correctly brought forward into Scribe. We have test-checked cashbook entries to the bank statements for the financial year, also agreeing the year-end cashbook / bank statement reconciliation to ensure there were no anomalous items.

We are pleased to note that Councillors receive a Financial Report, including bank balances, at each meeting, and quarterly scrutiny by the Finance Committee.

Conclusions

No issues arise in this area of review warranting formal comment or recommendation.

Review of Corporate Governance

We note that the Council's Standing Orders (SO) and Financial Regulations (FR) were reviewed and re-approved by the Council in October 2022, and now accord with the NALC Model Form. We note, however, that the tendering levels in both documents have been left at the NALC default level of £25,000, rather than the previously set £15,000. We have discussed this with the Clerk, who will raise the issue with the Finance Committee.

We have examined the Council Minutes for the year to determine whether any issues exist that may have either a legal or financial impact on the Council and its future financial stability, whilst also ensuring that the Council has neither considered or is considering any actions that may result in ultra vires expenditure. In particular we note detailed discussion of the Community Governance Review.

The requirements of the Transparency Code became mandatory for smaller councils from 1st April 2015. A full suite of documents is maintained on the Council's website, although we have discussed with the Clerk the desirability of improving access to documentation for the benefit of Parishioners and other interested parties.

Finally, we note that the Exercise of Public Rights with regard to the 2021-22 accounts was properly undertaken as required by the Accounts and Audit Regulations.

Conclusions

No issues arise in this area of review warranting formal comment or recommendation, other than our observations about tendering levels and improved Transparency Code access on the website.

Review of Payments

We have tested a sample of payments made during the year to ensure that the following criteria were met:

- Payments were supported by a trade invoice or acknowledgement of receipt.
- VAT has been calculated correctly and is recovered at appropriate intervals.
- The Council at a Council meeting approved each payment.
- Payments have been correctly analysed in preparation of the year-end Statement of Accounts.
- Section 137 payments have been identified in the cashbook and are within the Council's spending limit.

We have undertaken suitable transaction testing, with no issues arising.

The Council has made a number of high value grants during the year treated as Section 137 transactions. We have confirmed that these do not exceed the level annually approved by the Government.

VAT is being reclaimed on a quarterly basis.

Conclusions

No issues arise in this area of review warranting formal comment or recommendation.

Assessment and Management of Risk

We note that the Council has undertaken a review of its Risk Register, most recently at the October 2022 meeting, which meets the requirement of Financial Regulations.

Following a tendering exercise, the Council's insurance is now with Aviva via BHIB brokers, on a 3-year Long Term Agreement. Public and Employers Liability is set at £10 Million each, with Fidelity Guarantee cover at £150,000 and Officials Indemnity at £500,000, with a good range of Property covers, all of which we consider appropriate to a Council of this size.

Conclusions

No issues arise in this area of review warranting formal comment or recommendation.

Budgetary Control and Reserves

The Council has continued to use its Finance Committee to undertake a detailed review of budget proposals. Following consideration of the 2023-24 budget proposals, these were subsequently approved by the Full Council at the December 2022 meeting, setting the 2023-24 Precept at £32,097 which was properly Minuted.

The Scribe system records the Earmarked Reserves at 31 March 2023 as £227,986, largely consisting of Community Infrastructure Levy (CIL) balances. The resulting General Reserve is therefore £31,628, which is around 98.5% of the approved Precept against the Best Practice level of 50% of Precept.

However, we note the high level of ongoing monitoring, the difficulties for a small Council in spending large sums quickly on worthwhile projects, and recent discussions about dividing the Council into a number of small Councils in accordance with the Community Governance Review. In the circumstances, therefore, we do not believe the level of balances to be unwarranted.

Conclusions

No issues arise in this area of review warranting formal comment or recommendation.

Review of Income

The Council's has received limited income types during 2022-23 in the form of the annual Precept, VAT reclaims, and bank interest. In particular we note the considerable reduction in CIL receipts during the year. We have test-checked these transactions to the financial records with no issues arising.

Conclusions

No issues arise in this area of review warranting formal comment or recommendation.

Petty Cash Account

The Council no longer maintains a Petty Cash account. Therefore, no issues arise in this area of review warranting formal comment or recommendation.

Salaries and Wages

The Council only has one employee, the Clerk. Payments to the Clerk are managed by an external payroll service (Simon Day & Co.). A test-check of the payroll records shows that basic pay and overtime are properly recorded on the basis of hours worked, in accordance with the review undertaken by the Human Resources Committee in May 2022, and that the most recent NJC pay award (backdated to 1 April 2022) was approved by the Council in November 2022.

We note that, while NI payments were due to HMRC during the year, these continue to be offset against the coding error identified in 2021-22. As at 31 March 2023 a small balance still remains to be recovered during 2023-24.

We note that the Clerk is a member of the Local Government Pension Scheme.

Conclusions

No issues arise in this area of review warranting formal comment or recommendation.

Asset Registers

We note that all identified assets are valued at purchase cost (net of VAT) or, in the case of historical or donated items, a nominal value of £1, which meets the requirements of Government Accounting. During our testing we did uncover a small valuation error which we have clarified with the Clerk.

Conclusions

No issues arise in this area of review warranting formal comment or recommendation.

Investments and Loans

The Council reviewed its Investment Strategy at its October 2022 meeting. We note the intention to maintain and improve on interest earnings by changing accounts where necessary.

The Council has no loans in place either repayable by or to it.

Conclusions

No issues arise in this area of review warranting formal comment or recommendation.

Statement of Accounts and AGAR

Local government legislation is aimed at increasing the awareness of the public and openness in the management of public finances. The Annual Governance and Accountability Return (AGAR) provides the basis for the external auditor's certificate, informed by an independent internal audit.

We have duly agreed the detail on the draft 2022-23 AGAR to the underlying financial and other records, with no issues arising.

Conclusion

On the basis of our work as detailed above we have duly signed off the Internal Audit Report in the AGAR assigning appropriate assurances in each of the areas.