



Elton Parish Council

Internal Audit 2022/23

JDH BUSINESS SERVICES LTD

Registered to carry on audit work by the Institute of Chartered Accountants in England and Wales

INTERNAL AUDIT REPORT

The internal audit of Elton Parish Council is carried out by undertaking the following tests as specified in the AGAR Annual Return for Local Councils in England:

- Checking that books of account have been properly kept throughout the year
- Checking a sample of payments to ensure that the Council's financial regulations have been met, payments are supported by invoices, expenditure is approved, and VAT is correctly accounted for
- Reviewing the Council's risk assessment and ensuring that adequate arrangements are in place to manage all identified risks
- Verifying that the annual precept request is the result of a proper budgetary process; that budget progress has been regularly monitored and that the council's reserves are appropriate
- Checking income records to ensure that the correct price has been charged, income has been received, recorded and promptly banked and VAT is correctly accounted for
- Checking that salaries to employees have been paid in accordance with Council approvals and that PAYE and NI requirements have been properly applied
- Reviewing the asset and investments registers
- Testing the accuracy and timeliness of bank account reconciliations.
- Petty cash payments were supported by receipts, petty cash expenditure was approved and VAT appropriately accounted for
- Year end testing on the accuracy and completeness of the financial statements
- Checking that during the previous year , the council correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regs. Reviewing whether the council has complied with the publication requirements for the prior year AGAR.

Conclusion

On the basis of the internal audit work carried out, which was limited to the tests indicated above, in our view the council's system of **internal controls is NOT in place**, adequate for the purpose intended and effective. The recommendations reported in the action plan overleaf must be implemented promptly. As part of the internal audit work for the next financial year we will follow up all recommendations included in the action plan.

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INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
2022/23 Internal Audit			
1	There are no published Financial Regulations and the council have been unable to provide a copy of any Financial Regulations that were in place during the financial year.	<i>The council must urgently adopt Financial regulations. NALC publish model Financial Regulations for parish councils and these should be used by the council as a template.</i>	To be actioned by adopting the latest Model Financial Regulations from NALC at the November meeting of the Parish Council.
2	<p>AGAR accounts</p> <p>There is a £6 difference between the AGAR and the spreadsheet accounts as the AGAR accounts cast to £20760, however, £20766 has been recorded in the AGAR box 7 (and 8). The spreadsheet cashbook closing balance is £20766. The year end bank statement balance is £27262.63</p> <p>The total cash book payments are recorded as £97422.18 but total payments per the AGAR accounts are £97428, therefore, the £6 error lies in payments and specifically in staff costs as total staff costs per the spreadsheet cashbook are £23892.20 and £23898 per AGAR.</p>	<i>The imbalance between the spreadsheet cashbook and accounts, and the AGAR accounts and bank reconciliation should be resolved and amended.</i>	<p>Staff salaries were correct on the cashbook and therefore Box 4 was corrected to £23282.</p> <p>A payment of £20 had been entered in the cashbook to Cestrian Signs, but £24 had been paid by the bank and therefore total expenditure was +£4 and therefore £73534 in Box 6 and not the original figure presented to the Internal Auditor of £73530</p> <p>Box 7 therefore is now £22762 which tallies with the closing balance on the Bank statement.</p>

INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
3	<p>Due to absence of staff, for a significant period of the financial year the Chair of the council had to access the bank account and make payments. The council banking provider is Unity Trust but the council have not enabled the dual party authorisation function.</p> <p>The council had difficulty in sourcing the expenditure vouchers in support of our sample and no evidence was provided of market testing of any of the significant contracts in the year.</p>	<p><i>The council need to urgently implement effective authorisation controls over online banking payments, that ensure two councillors authorise payments before they are made after agreeing invoice details.</i></p> <p><i>When Financial Regulations are adopted these must include the contract procurement requirements to be applied to significant expenditure.</i></p> <p><i>All expenditure vouchers should be retained by the council to enable them to be provided for review or audit purposes and to ensure VAT can be reclaimed.</i></p>	<p>To be actioned – the Clerk is being added to the Unity Trust Bank account and on completion at least three other councillors will be added and given authorization permissions. Expected completion – December 2023</p> <p>See above – Model Financial Regulations to be adopted and all sections where a decision is necessary on limits will be agreed and implemented.</p> <p>This will be routine going forward.</p>
4	<p>A full set of minutes was not available as only the April to July 2022 minutes were published, and the council were unable to locate copies of the other minutes.</p>	<p><i>A complete record of the minutes evidencing the meetings of the council must be maintained and published.</i></p>	<p>This will be routine going forward.</p>
5	<p>No regular monthly bank reconciliations were produced and reported to council during the financial year.</p>	<p><i>Complete and accurate bank reconciliations must be completed and presented to council on a timely basis throughout the financial year.</i></p>	<p>Bank Reconciliation details are published on the agenda of the monthly meetings and since September the Unity Trust Bank Statement has been printed and a councillor who is not the Chair has checked that the opening and</p>

INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
			closing balances tally with the information provided on the agenda and the statements have been signed and dated to evidence the check. This procedure will continue on a monthly basis.
6	<p>No budgetary control statements were provided to council for review for the financial year. No evidence to support the annual budget underlying the precept request has been provided. The requirements for budgetary control should be set out in adopted Financial Regulations.</p> <p>The £amount of the precept request for 2023/24 is not recorded in the full council minutes which is a requirement of the Local Government Act 1992.</p>	<p><i>Regular budgetary control information must be provided to the council in accordance with adopted Financial Regulations, including the explanation of material variances.</i></p> <p><i>Comprehensive budget information should underpin the annual precept request.</i></p> <p><i>The amount of precept requested must be stated in the council resolution of the minutes where the precept was decided.</i></p>	<p>The budgetary control procedure in the Financial Regulations will be followed, following adoption of the Financial Regulations in November 2023.</p> <p>The precept request for 24.25 will be based on an analysis of previous spending, a consideration of future projects and ongoing maintenance projects and mindful of the need to maintain a reasonable amount in General Reserves. This information will inform the precept setting rather than the practice of considering the previous precept and adding a percentage.</p> <p>The budget setting process will be minuted and the precept request to be sent to the local authority will be recorded in the minutes of either the December 2023 or January 2024 minutes.</p>
7	The council did not review, update and approve a risk assessment during the financial year. Therefore, none of the	<i>A comprehensive risk assessment document must be reviewed, updated and</i>	All risks that the council faces will be assessed and consideration of the mitigations required will be recorded in a Risk Register document.

INTERNAL AUDIT REPORT

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	council operational, financial, strategic and governance risks were reviewed in the financial year.	<i>approved by full council each financial year.</i>	This will be in place by January 2024 at the latest.
8	A comprehensive asset register is a key management tool for managing fixed assets effectively, however, no fixed asset register was provided in support of the fixed asset figures included in the AGAR accounts.	<p><i>The council must establish a fixed asset register that includes the following key information:</i></p> <ul style="list-style-type: none"> • <i>Valuation for AGAR disclosure purposes</i> • <i>Insurance value</i> • <i>Dates of acquisition, upgrade and disposal (it is useful to keep a record of disposed assets as an asset management tool)</i> • <i>Costs of acquisition and any expenditure which increases the life of the asset</i> • <i>If proxy cost is used for first valuation, a note of the method used for valuation and details of any professional advice received</i> • <i>Useful life estimate</i> • <i>Location</i> • <i>Responsibility/custodian)</i> • <i>Any available indications of asset condition</i> • <i>Evidence assets have been matched with the insurance schedule to</i> 	A review of all assets held, including tracing any legal ownership documents will take place with an Asset Register recreated by March 2024. This will then be shared with the current insurer to establish if sufficient insurance is in place.

INTERNAL AUDIT REPORT

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		<i>ensure all assets are appropriately insured</i>	
9	<p>The council did not comply with Regulation 15 of the Accounts and Audit Regulations 2015 as it failed to make proper provision for the exercise of public rights for the 2021/22 accounts. No public notice was published on the council website.</p>	<p><i>The council must comply with the requirements of the Accounts and Audit Regulations 2015 with respect to the notice for the exercise of public rights.</i></p>	<p>Due to long-term staff illness of both the permanent clerk and the locum clerk, accounts were not prepared in sufficient time and the internal audit not carried out to the satisfaction of the council which resulted in late submission to the External Auditor and therefore the period of Public Rights was missed.</p>
10	<p>Publication Requirements:</p> <p>The Notice of Conclusion of Audit and Audit Certificate were not published by the deadline of September 30th 2022.</p> <p>The council website does not comply with publishing requirements for other aspects such as the requirement for a full complement of minutes and 5 years of AGAR accounts to be published on the website.</p> <p>Therefore, we have concluded that the council did not comply with the publication requirements for the 2021/22</p>	<p><i>The council must comply with the publication requirements of relevant legislation including the Accounts and Audit Regulations 2015.</i></p>	<p>The External Auditor has not yet filed a completion statement for the parish council against the 21. 22 accounts.</p> <p>Due to the long-term staff illness of both the permanent clerk and the locum clerk, meetings and their accompanying agendas and minutes have been sporadic. Additionally, on the dismissal of the permanent clerk, no property belonging to the parish council has been returned nor, despite attempts, has been retrieved. It is therefore envisaged that the records will remain incomplete for the foreseeable future.</p>

INTERNAL AUDIT REPORT

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	AGAR audit as required by the Accounts and Audit Regulations 2015.		
11	<p>No contracts of employments were provided for any of the five staff listed as employed during the financial year. Therefore, we were unable to verify whether the correct rates of pay as per the staff contracts were being applied.</p> <p>As a full set of minutes was not available for the financial year we could not evidence that payroll payments were approved by council for the entire financial year. No vouchers were provided to support employee expenses claims.</p>	<p><i>Standardised model contracts of employment should be established for all current and new employees.</i></p> <p><i>All payroll payments must be approved by council and evidenced in the minutes.</i></p> <p><i>Vouchers should be retained to evidence all employee expense claims.</i></p>	<p>One contract for one street orderly has now been retrieved and a contract based on this will be drawn up for the other street orderly. The newly appointed clerk (July 2023) has been issued with an employment contract.</p> <p>Payments to staff are show on the agendas and minutes of each meeting – this will continue to be the procedure going forward.</p> <p>An expenses policy covering both staff expenses and councillor expenses will be put to the council for approval in November 2023.</p>
12	<p>A VAT reclaim amount is included in the income ledger, however, no VAT returns could be located to enable council to apply the correct VAT cut-off to the next VAT reclaim.</p>	<p><i>The previous VAT returns must be obtained and VAT fully reconciled so a complete and accurate reclaim can be submitted for all outstanding VAT refunds due. Expenditure vouchers must be sourced for all expenditure with a VAT element to enable the VAT to be reclaimed.</i></p>	<p>Efforts will be made to recover previous VAT returns and future VAT claims will be made on a quarterly basis via the HMRC Online facility, with all forms retained electronically to evidence the claims made.</p> <p>All expenditure vouchers will be saved electronically as they are received. Any expenditure that appears on a bank statement and has no accompanying voucher will be followed up immediately.</p>

INTERNAL AUDIT REPORT

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13	Income - We were informed by the clerk that only one voucher could be sourced to substantiate the income transactions which was the precept request to the principal council..	<i>Income vouchers must be retained for all income transactions.</i>	All vouchers for income will be saved electronically upon receipt going forward.
14	The contract or SLA with Countrywide for the provision of grounds maintenance services could not be located to support the ongoing contract.	<i>Signed SLAs/contracts should be established for all ongoing contracts</i>	Countrywide are no longer providing ongoing services to the parish council. However, going forward, all ongoing services will be documented in a Service Level Agreement to be signed by both parties.
15	No s.137 column has been maintained in the cashbook and no calculation of the annual limit of s. 137 for 2022/23 was provided.	<i>A record of s.137 expenditure should be maintained as well as the annual limit calculation to evidence this was not exceeded in the financial year.</i>	This will be implemented for FY 23.24, but may be unnecessary in the future as the newly appointed clerk holds the relevant qualification and the council has at least 2/3 of councillors elected and therefore the General power of Competence may be adopted. If that is the case, this will be minuted and the parish council will use the power of first resort rather than the power of last resort.