

## **Horton Parish Council**

*Internal Audit Report 2022-23*

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*Susan Cook*

*For and on behalf of  
Auditing Solutions Ltd*

## **Background**

The Accounts and Audit Regulations introduced from 1<sup>st</sup> April 2001, as amended periodically, require all Town and Parish Councils to implement 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. We have again made arrangements to conduct the year's review at the offices of Old Windsor PC (OWPC) on 26<sup>th</sup> April 2023 having undertaken earlier work at our own offices: we thank the Clerk in assisting the process, delivering all necessary documentation either in electronic format in advance of our visit or to the OWPC offices on the above date.

## **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 mis-recording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover is 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 'IA Certificate' as part of the Council's AGAR process, which requires independent assurance over several internal control objectives.

## **Overall Conclusion**

We are pleased to again conclude that, based on the programme of work undertaken during our audit this year, the Clerk and Council have continued to maintain appropriate and effective internal control arrangements. We have, however, identified one or two minor issues, that will require attention.

We have completed and signed the 'Annual IA Certificate' in the year's AGAR, having concluded that, in all significant 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.

We take this opportunity to remind the Clerk and Council of the requirements of 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 new Clerk / RFO has continued to maintain the Council's accounting records in an appropriate spreadsheet format with a single account in operation with Unity Bank. Our objectives in this area are to ensure that the accounting records are maintained accurately and in a timely manner with detail reconciled routinely to the bank account in use. We have consequently: -

- Checked to ensure that the closing balances reported in the 2021-22 accounts and AGAR have been "rolled-over" correctly as opening balances for 2022-23;
- Verified transactions recorded in the spreadsheet cashbook to the supporting bank statements for the full financial year;
- Verified the content of the quarterly and year-end bank / cashbook reconciliations, also noting that members have again been provided with detail of and review each quarter-end reconciliation; and
- Ensured that the year-end balance is accurately recorded in the year's AGAR at Section 2, Box 8.

### Conclusions

*We are pleased to report that appropriate accounting records have been maintained throughout the 2022-23 financial year with reconciliations prepared quarterly, submitted to, reviewed and signed-off by a nominated member. Consequently, no issues arise warranting formal comment or recommendation.*

## Review of Corporate Governance

Our objective in this area is to ensure that the Council has robust corporate governance documentation and procedures in place; that Council meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we may be reasonably expected to ascertain as we do not attend meetings, no actions of a potentially unlawful nature have been or are being considered for implementation.

We have examined the Council's minutes for the financial year to determine whether any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability, noting last year that both SOs and Financial Regulations (FRs) were reviewed and re-adopted by the Council during 2022-23.

We have previously acknowledged appropriate reference to the requirements of the 2015 Public Contracts Regulations in both SOs and FRs, noting that the FRs referred to a tender limit of £25,000, which, as indicated previously, we considered too high for a Council the size of Horton suggesting that a more appropriate limit would be £10,000 as in the Council's previous FRs. We note that, in their review of the Financial Regulations in 2022-23, the level has been retained at £25,000.

We are pleased to note that the external auditors signed off the 2021-22 AGAR with no issues.

## **Conclusions**

***We are pleased to report that no issues arise in this area this year warranting formal comment or recommendation.***

## **Review of Expenditure**

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- All payments are subject to appropriate approval in accordance with the Council's approved procedures;
- 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; and
- VAT has been appropriately identified for periodic recovery.

We have again reviewed the Council's approach to the approval and authorisation of release of funds to traders and staff and consider that they are generally sound, examining documentation supporting all payments during the year for compliance with the above criteria noting that invoices are now being signed by members confirming their review and approval for payment. We note however, that there was no supporting documentation for one payment of a donation for £50.00.

We note that the final 2021-22 quarter's VAT reclaim, together with the first and second quarter's VAT for 2022-23 were reclaimed and repaid by HMRC. The third and fourth's quarters' VAT reclaims for 2022-23 were also submitted but remain unpaid by HMRC at the close of the year.

## **Conclusions and recommendation**

***We are pleased to record that no significant issues or concerns arise from our work in this area this year. However, in examining the payments processed during the year, we noted that a payment to MacMillan for £50.00 had no supporting documentation.***

- R1. When presenting a donation, a copy of the letter accompanying or advising of the payment and detailing when Council resolved to approve the payment should be used as the supporting documentation. A request for acknowledgement of receipt should also be requested.*

## **Assessment and Management of Risk**

Local councils are required to put in place appropriate arrangements to assess and manage all potential risks, financial and other, to which they may be exposed, also ensuring that appropriate insurance cover is in place.

We are pleased to acknowledge the further review and re-adoption in February 2023 of the previously prepared Risk Management & Assessment Register, which we consider remains appropriate for the Council's present needs.

We have examined the current year's insurance schedule with Hiscox and consider that cover continues to be appropriate for the Council's present needs with Employer's and Public Liability cover both in place at £10 million, together with Fidelity Guarantee cover at £500,000.

We have previously noted that the Council's play areas are subject to periodic inspections by a member who provides a verbal report to the Council. This is supplemented by an annual inspection undertaken by a suitably qualified agent who provides the Council with a formal report. We are pleased to note that, formalised records are now being maintained.

### **Conclusions**

*We are pleased to record that no matters have been identified in this area this year warranting formal comment or recommendation.*

## **Budgetary Control and 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 the level of precept to be drawn down from the Royal Borough: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains sufficient funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

We note that, following due debate, the Council finalised its budget and precept deliberations for 2023-24 formally adopting the latter at the January 2023 full Council meeting at £45,560.

We again note that the Clerk / RFO continues to provide members with accounting detail including quarterly bank reconciliations and reports identifying performance against the approved budget and have examined the year-end outturn position noting the Clerk's commentary on the variances as recorded in the Cashbook spreadsheet detail with no concerns identified warranting further enquiry or explanation.

The Council's reserves at the financial year-end have increased to £34,929 (£27,097 at 31<sup>st</sup> March 2022). The balance equates to approximately 8 1/4 months' revenue spending at the 2022-23 level and sits comfortably within the generally recognised and acceptable holding of between three- and twelve-months' revenue spending.

### **Conclusions**

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

## **Review of Income**

*The Council receives income from a limited number of sources in addition to the precept, primarily by way of grants, including CIL moneys and recoverable VAT. We have agreed detail of income received to bank statements and, where available, other supporting documentation.*

## Petty Cash Account

*The Council does not operate a petty cash account, any out-of-pocket expenses incurred by the Clerk or RFO being reclaimed through the normal payment 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 deductions and employer contributions. We note that the Council uses the services of an external payroll bureau.

To ensure compliance with the above objectives, we have: -

- Ensured that the gross salaries applied in 2022-23 to the former Clerk and RFO and new Clerk / RFO have been paid at the approved rate of pay by reference to the September 2022 and February 2023 applicable payslips;
- Verified the accurate calculation of any Income Tax, National Insurance and pension contributions have been calculated at the appropriate rates by reference to the staff tax codes and relevant HMRC and Pension Fund Administrator tables.; and
- Ensured the appropriate and prompt payment of tax and pension contributions to HMRC and the Pension Fund Administrators during the year.

### Conclusions

*We are pleased to record that no issues have been identified in this area of our review process this year warranting formal comment or recommendation.*

## Asset Registers / Inventories

The Practitioner's Guide requires all councils to maintain a record of all assets owned. We are again pleased to note that a formal register remains in existence and that it has been updated appropriately to take account of the purchases during 2022-23 with a consequent increase in the asset value reported in the year's AGAR at Section 2, Box 9. We note however that, Council have not approved the value of the Asset Register during the 2022-23 financial year.

Ideally, the Council should also develop a photographic register of its stock of outside equipment, etc to assist any insurance reclaim or police enquiry in the event of vandalism and / or accidental damage to property / premises. Such a register may assist the smooth progression of any insurance claim, etc

### Conclusions and recommendation

*To support Councillors in the planning of maintenance and replacement of assets, it is best practise for the Asset Register to be reviewed on an annual basis, with a physical review of the assets taking place where necessary (as stated in the Councils Financial Regulations para 14.6 refers).*

R2. *A review of the Asset Register should take place during the financial year as stated in the Councils Financial Regulations.*

## **Investments and Loans**

*The Council has no long-term investments, nor does it have any loans in place repayable either by or to it.*

## **Statement of Accounts and AGAR**

Section 2 of the AGAR Form 3 now serves as the Council's formal Statement of Accounts subject to external audit review and certification. We have examined the content of the detail to be recorded in Section 2 for 2022-23 agreeing that detail to the underlying financial and other records.

### ***Conclusions***

*We are again pleased to record that no significant issues arise in this area this year and, based on the outcome of our work programme for the year and on the assumption that the above adjustment will be made, we have signed off the IA Certificate in the AGAR assigning positive assurances in each relevant area.*

Rec. No.	Recommendation	Response
<b>Review of Expenditure and VAT</b>		
R1	When presenting a donation, a copy of the letter accompanying or advising of the payment and detailing when Council resolved to approve the payment should be used as the supporting documentation. A request for acknowledgement of receipt should also be requested.	
<b>Review of Asset Registers/Inventories</b>		
R2	A review of the Asset Register should take place during the financial year as stated in the Councils Financial Regulations.	



